Daily Report

Latin America

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Cuba

Sources Say Recovery of Sugar Sector Significant Factor

PA0401195796 Havana PRENSA LATINA in Spanish 1304 GMT 4 Jan 96

[FBIS Translated Text] Havana, 4 Jan (PL) — Official sources affirmed today that the recovery of sugar production in Cuba, which reached 3.3 million tons in the 1994-1995 harvest, constitutes a significant factor in maintaining the economy's upward trend in 1996.

According to GRANMA, the production of 4.5 million tons of sugar during the 1995-1996 harvest will allow the sugar industry to occupy the position in the Cuban economy it deserves, in addition to the possibility of receiving greater short-term financial resources.

GRANMA says the current harvest has had the special attribute of putting into play "many millions of dollars worth of high interest loans," in addition to creditors' confidence in the country.

Moreover, the tourist industry should increase its net contributions by 50 percent this year compared to 1995. Specialists in the sector estimate gross income in the tourist sector of approximately $1 billion this year.

The official strategy to achieve a 5 percent growth in Cuba's GNP in 1996 includes a 27 percent increase in investments, particularly in works pertaining to the nickel, fishing, electricity, and tourism sectors.

Regarding social issues, a building program complements plans to build 50,000 homes, 10,000 of these in Havana. In addition, there are improvements in cement and oil production, power generation, public transportation, and health conditions.

After a number of years of recession at the beginning of the 1990's, the Cuban economy began a discreet upsurge in 1994 with a 0.7 percent growth in GNP and a more significant recovery in 1995, ending with a 2.5 percent GNP.

Report on Reorganization of Batabano Fishing Complex

PA0501014696 Havana Radio Rebelde Network in Spanish 1255 GMT 3 Jan 96

[From the "Doing Radio" program]

[FBIS Translated Text] [Anchorman] We now have a report from Havana Province by reporter Ivonne Alvelo. Good morning.

[Alvelo] Greetings, good morning to all listeners of "Doing Radio." This year brought changes to the workers at the Batabano Industrial Fishing Complex, who began the year with a new work system. According to Francisco Arcia, deputy director of the fishing complex, this will bring in more revenues for the country.

[Begin Arcia recording] We now have become the (Pescabat Fishing Corporation). In other words, from the legal standpoint the Combinado Pesquero Industrial Batabano Fishing Company will disappear and a multicompany system will be created. In it, the former overlap in responsibility that existed with the vertical management system will change into a practically horizontal system, with 15 basic economic units. Each of these units will be fully responsible for all its activities. For instance, in the past, at the fishing complex there was a production deputy director's office, which was responsible for the entire production. But the situation involving the costs, efficiency, how that product reached the industry, the sales system, was a little beyond the control of this office. In reality, it was not directly responsible for the above. The same thing happened with the supplies director, who was responsible for supplies, and so on. [end recording]

[Alvelo] The (Pescabat Fishing Corporation) is intended to hold each man, each unit fully responsible for his or its commitments. It is aimed at increasing workers' efficiency and obtaining production reserves, so as to give the country much more than what it produces now. In fact, this involves a change in the way of thinking and acting, but in the end results will be better.

The implementation of the new system at the Batabano Fishing Complex does not involve the personnel reduction, Arcia remarked.

[Begin Arcia recording] The basic idea in our case is not to cut positions. Our personnel roster is not an inflated one. We worked the entire accounting system with automated systems, all the production system, production control, etc. In other words, we do not have an inflated roster that will result in workers being laid off. What will indeed take place is a change in working methods. We want to replace the current structure by a more functional structure, one that is in keeping with current management systems in the world and that strives for efficiency. [end recording]

Politburo Member: 'Positive Changes' in Ciego de Avila

PA0501014896 Havana Tele Rebelde and Cubavision Networks in Spanish 0100 GMT 4 Jan 96

[From the "NTV" newscast]

[FBIS Translated Text] Together with Sugar Industry Ministry officials and party members, Jose Machado

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Ventura, Politburo member, visited agricultural and industrial areas of the Jose Ciro Redondo Agro-industrial Complex in Ciego de Avila. The need to produce more, at less cost — necessary requirement to win the battle for efficiency — was the issue discussed during the visit.

[Begin recording] [Correspondent Bernardo Espinosa] At the Saturnino Eneiro Agricultural-Livestock Cooperative, they were briefed on how, from the beginning of this undertaking, different measures have been applied to reduce losses. The quality of the cutting and the importance of preparing the soil after the harvest were aspects that also caught Comrade Machado's interest.

At the Ignacio Agramonte Agricultural-Livestock Cooperative, the issue of increasing production was discussed with the cooperative's members.

[Machado] How is the sugarcane doing?

[Unidentified worker] There is approximately 120,000 arrobas of sugarcane.

[Machado] Does the combine cut it well?

[Unidentified worker] Yes, yes it does. The sugarcane is doing very well here. Here it is doing well, I wish that it was like this everywhere!

[Espinosa] After visiting several industrial areas, Machado made statements to this newscast.

[Machado] I see that there have been positive changes. You can see that the comrades are confident. There is enthusiasm at the job site and they are much more dedicated. When I was here last year, they were behind 170 [as heard] here in this complex. Now — I have just asked — they are all here, there is stability, and there is no absenteeism. All of this is the result of the workers' assessment regarding their obligations and what they really need to enable the sugar industry to play its role in the development of our economy. [end recording]

Roundup of Politburo Members' Activities Through 4 Jan

PA0501015096

[FBIS Editorial Report] The following is a compilation of reports on the activities of Cuban Communist Party Central Committee Politburo members monitored through 4 January.

Carlos Lage visited potato and plantain fields in Ciego de Avila Province. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 28 Dec 95)

Jose Ramon Machado Ventura toured five municipalities of Holguin Province on 28 December. He underscored the importance of ensuring high efficiency during the upcoming harvest and showed interest in the food program, preparations for the sugar harvest, and the reservoirs in Las Mercedes, Colombia Municipality, where 33 hectares will be dedicated to the breeding of fresh water fish. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 29 Dec 95)

Jose Ramon Machado Ventura and Alfredo Hondal Gonzalez have presided over a meeting of the plenum of the Ciego de Avila Provincial Committee of the Communist Party of Cuba, PCC, to assess developments in that province in 1995. (Havana Radio Rebelde Network in Spanish 1800 GMT 1 Jan 96)

Jose Ramon Machado Ventura attended a meeting of the plenum of the PCC Provincial Committee in Ciego de Avila Province to assess results of the main socioeconomic programs in 1995 and their perspectives for 1996 in that province. He revealed an emergency program to reverse the effects of insufficient sugar cane cultivation in 1995. The official underscored that there is progress even though only a modest one in some cases. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 3 Jan 96)

Dominican Republic

Balaguer Voices Support for Social Christian Candidate

PA0501015696 Mexico City NOTIMEX in Spanish 2211 GMT 3 Jan 96

[FBIS Translated Text] Santo Domingo, 3 Jan (NOTIMEX) — President Joaquin Balaguer today voiced support for Jacinto Peynado, the pro-government Social Christian Reformist Party's (PRSC) candidate for president.

At a meeting with thousands of followers at the PRSC headquarters, the 89—year-old president voiced his support for Vice President Jacinto Peynado in the forthcoming elections slated for May.

"As a Dominican, I feel that Peynado is the best candidate that represents the sacred interests of the nation," Balaguer said.

Referring to the opposition from some sectors within the PRSC to Peynado's candidacy, Balguer said that the convention which nominated the vice president to the presidency was "genuine" [incomplete sentence as received]

He insisted that his party "has represented the political balance of the country for more than 30 years."

The president feels that at this moment, the PRSC "is the party that the country needs, and it cannot disappear

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from the political scenario because it represents peace, social justice, and true Dominican progress."

About 3,000 PRSC militants from Santo Domingo and San Cristobal Province attended the event, and demanded that Balaguer remove from the cabinet some officials "who have forgotten the party."

In reply, Balaguer said he was willing "to listen to the voice of my people and the voice of my fellow party members in order to learn what my fellow countrymen want."

Meanwhile, Peynado thanked the president for his support and urged the PRSC militants to lead the party to victory in the next elections.

The meeting was held at a time when the polls rank the Social Christian candidate below social democratic candidate Jose Francisco Pena Gomez and below Leonel Fernandez, from the Dominican Liberation Party.

For the first time in 30 years, Balaguer will not be his party's candidate for president as a result of the constitutional amendments made after the 1994 elections when the president was reelected for a seventh time.

According to the amendments, the candidates will need 50 percent of the votes in order to win the elections, otherwise a second round will be convoked no later than 25 days after the elections.

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Envoy on Investigations of Deposits Made in UK

PA0401163396 Mexico City Radio Red Network in Spanish 0000 GMT 4 Jan 96

[Report by Victor Manuel Suberza Blanco from "The Night Monitor" newscast]

[FBIS Translated Text] [Suberza] It is very difficult to interview ambassadors; they are very cautious with their statements. Nevertheless, Ambassador Andres Rosenthal is the exception. My colleagues, gathered here at the Los Pinos news conference hall, have remembered that Rosenthal announced last year that the Mexican Government was supporting Raul Salinas de Gortari's candidacy to the WTO.

Rosenthal was questioned in Lopez Mateos Hall at Los Pinos today regarding matters about the de Gortari family. In fact, he said investigations were being carried out in the UK on deposits made by various personalities, as he put it, who were part of the previous administration. Andres Rosenthal said this investigation is specifically reviewing de Gortari's accounts. As we all know, de Gortari is to be tried on various charges and is in the Almoloya de Juarez maximum security prison:

[Begin recording] [Rosenthal] It is not an issue involving the UK although there is an ongoing investigation regarding the bank accounts of other Mexican personalities there. There is no doubt, however, that this investigation does not reflect on the nation; it reflects on the individuals involved.

[Suberza] Did these personalities have anything to do with the government?

[Rosenthal] I believe that in the case of Raul Salinas de Gortari, he was a federal government worker. [end recording]

[Suberza] In addition, during the brief interview, Rosenthal said the details of President Zedillo's upcoming visit to the UK are being concluded.

PGR Issues 5-Point Communique on Colosio Assassination

PA0401195596 Mexico City Radio Red Network in Spanish 0000 GMT 4 Jan 96

[Report by Martin Espinoza and Jorge Olea from "The Night Monitor" newscast]

[FBIS Translated Text] [Espinoza] The latest in the Colosio case is that a federal judicial policeman who was identified initially as Antonio Martinez Estrada, better known as El Guamuchi, is, according to independent investigations, the person who fired on Luis Donaldo Colosio, and that it was not Mario Aburto Martinez, who is serving a prison sentence in the Almoloya de Juarez Prison. According to these investigations, Antonio Martinez Estrada is actually Police Agent Martin Antonio Gutierrez Cantu. It has been reported that this man died a few hours after having killed Colosio, and that he was murdered by policemen in Tijuana.

But what has happened? It so happens that a man calling himself Martin Antonio Gutierrez Cantu has appeared and has assured that he is not El Guamuchi and has not fired on Luis Donaldo Colosio.

Jorge Olea has details.

[Olea] The media were sparked today by word that the Office of the Attorney General of the Republic [PGR] was going to let us speak with El Guamuchi, Antonio Martinez Estrada. When we, the reporters, arrived at the PGR news room, we discovered there is no El Guamuchi.

It must be noted that the PGR has issued a five point-bulletin.

Two national newspapers published a note on 19 December, as you have reported Martin, according to which alleged independent investigations have indicated that Antonio Martinez Estrada is the actual killer of Luis Donaldo Colosio and that this person, Martinez Estrada, was murdered that very day in Tijuana.

The media have published pictures showing the alleged killer the day he was graduated a policeman from the PGR Training Institute in 1993.

The five points of the PGR communique are:

1) Martin Antonio Gutierrez Cantu is the real name of the person whose picture appears in the publication and is identified as Antonio Martinez Estrada. He is an agent of the Federal Judicial Police.

2) Martin Antonio Gutierrez Cantu has not been murdered. He appeared before the media today to prove he is alive and has nothing to do with the Colosio assassination.

3) PGR files indicate that Martin Antonio Gutierrez Cantu was working in Guadalajara, Jalisco, on 23 March 1994 and that he was assigned to work at Jalisco International Airport on 24 March of that year.

4) Martin Antonio Gutierrez Cantu has presented at the PGR charges of slander against Humberto Lopez Mejia and whomever is responsible for the change his life has suffered as a result of the publication of false information.

5) The PGR reiterates that the killer of Luis Donaldo Colosio is Mario Aburto Martinez, a confessed killer who has been sentenced.

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Likewise, experts backed by testimonies have demonstrated that Aburto, who is being held in the Almoloya de Juarez maximum security prison, is the actual killer of Luis Donaldo Colosio.

The PGR communique concludes that the institution asks the media and society in general to pay no attention to alleged independent investigations that are trying for unknown reasons to create doubt about the investigations into the assassination of Luis Donaldo Colosio, investigations that deserve serious treatment.

Zedillo Swears In Head of Comptroller General's Office

PA0401175496 Mexico City XEW Television Network in Spanish 0400 GMT 4 Jan 96

[From the "24 Hours" newscast]

[FBIS Translated Text] President Ernesto Zedillo has said any public officials who incur in corruption or neglect should be punished. He has reaffirmed his government's commitment to strive for an honest, open, and efficient public administration without abuses or impunity.

Swearing in Arsenio Farell Cubillas as the new secretary of the Comptroller General's Office, Zedillo has said it will be Farell's duty to punish those responsible for corruption or neglect, which, he has said, unfortunately still occur in federal public administration. Zedillo has recalled that Farell has been a public official for more than 20 years under four different governments:

[Begin Zedillo recording] Farell has always served institutions rather than specific individuals, distinguishing himself for his uprightness, professionalism, and devotion to duty. His firm knowledge of and strict adherence to law and deep sense of duty have won for him everyone's respect as a lawyer and public servant committed to serve the law. [end recording]

Farell replaces Norma Samaniego, who reviewed her term. She will now be an adviser to the president. In a brief message, Farell has said he will act with the firmness circumstances are demanding:

[Begin Farell recording] We will not make any decisions that run contrary to justice, reason, and appropriateness, so our fellow citizens can fully trust the institutions. [end recording]

Internal Debt Drops More Than 30 Percent During 1995

PA0401172496 Mexico City EL FINANCIERO in Spanish 3 Jan 96 p 7

[FBIS Translated Text] The federal government's internal debt dropped by more than 30 percent during 1995. The balance of circulating securities decreased from 165.4 billion pesos to 109.905 billion pesos between 31 December 1994 and 19 December 1995.

According to the most recent report of the Bank of Mexico Securities Management Office, the balance of government securities in the hands of foreigners at the close of last year stood at 28.283 billion pesos, an amount that represents 25.8 percent of the government's debt in pesos. Such securities represented a little more than 65 percent of the total at the close of 1994.

In contrast, certificates in the hands of nonbanking national residents represented 62 percent on 19 December, and banking sector holdings represented 12.2 percent.

The Bank of Mexico has not made public the balance of its own holdings of government debt certificates since April of last year. This balance would make it possible to learn in detail the degree of the Mexican Government's internal debt reduction, because the 30.3 percent reported drop is attributed to the redemption of Treasury Bonds and their replacement by external obligations.

According to last December's most recent report, the holding of government securities in the hands of local residents stood at 67.82 billion pesos, and the banking sector's holdings stood at 13.80 billion pesos, a balance which does not include the holding of special Treasury Certificates, which the Bank of Mexico has transferred to banks in exchange for the overdue loan portfolio of seven banks so they may become more solvent.

Secretariat Announces 1995 Increase in Exports

PA0401175296 Mexico City EL FINANCIERO in Spanish 3 Jan 96 p 19

[Report by Lourdes Gonzalez Perez]

[FBIS Translated Text] The Commerce and Industrial Development Secretariat [Secofi] has announced that Mexican exports increased 31.6 percent during 1995, while imports dropped 8.4 percent.

Nevertheless, Secofi has acknowledged that a trade deficit persists with the European Union, Japan, and Asian Countries, countries with which Mexico has no trade agreements, despite an increase in exports sales.

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According to a report from the secretariat directed by Herminio Blanco, 83.7 percent of total Mexican exports were manufactured goods. Less than 80 percent of imports were intermediate products essential for national production.

The trade balance indicates a surplus of $6.875 billion at the end of November, a figure which contrasts with the $17 billion during the same period in 1993 and which surpassed $18 billion in 1994.

Secofi notes that Mexican exports sales have registered significant growth throughout the world except for a reduction in exports to Japan.

In a minute breakdown of the country's foreign sales, Secofi has stated that oil exports were slightly under $8 billion, agricultural sector exports approached $4 billion, and mining and extraction did not reach $500 million while manufactured products surpassed $61 billion.

According to Secofi, capital goods totaled more than $53 billion regarding foreign purchases during the analyzed period. The importation of capital goods reached $7.9 billion and slightly less than $5 billion for consumer goods. Secofi adds that the importation of intermediary goods associated with exports has registered a significant increase of 31 percent, almost 70 percent of the total foreign purchases of these kinds of goods.

Secofi has determined that imports not associated with exports sales represent approximately 30 percent of total imports.

It should be noted that in the September figures, the trade balance with the United States, Mexico's principal trading partner, went from a deficit of $2.734 billion to a surplus of $9.342 billion. In addition, the surplus increased from $97 million to $516 million with the third NAFTA member, Canada.

Mexican exports to the United States and Canada were principally in manufactured goods, representing 81 and 93 percent of exports sales, respectively.

In addition, bilateral trade with Chile grew 117 percent to approximately $700 million. Mexico recorded a surplus of $51 million with Chile.

During the first nine months of the free trade agreement with Costa Rica, Mexican exports increased 46 percent, reaching $103 million, allowing a trade surplus of slightly greater than $95 million.

Roundup of Mexican Economic Developments

PA0101200796

[FBIS Editorial Report] The following is a compilation of reports on economic developments in Mexico monitored through 1 January.

The Bank of Mexico reports a 1.58-percent increase in the inflation rate during the first 15 days in December, compared to the previous two weeks. Chetumal, Tapachula, Durango, Tlaxcala, and Tampico registered the highest increases in inflation out of the 46 cities from which information is reported. (Mexico City REFORMA in Spanish 25 Dec 95 via Internet)

Jaime Zabludovsky, under secretary for Commerce and Industrial Development Secretariat, Secofi, reports that by the end of 1995 the National Foreign Investment Registry, RNIE, will have registered investments of approximately $9 billion. Regarding investments actually executed, this will reach $4 billion with the largest amounts going toward finances, telecommunications, telephones, textile and manufacturing industry, as well as maquila [assembly sector] industry. (Mexico City REFORMA in Spanish 25 Dec 95 via Internet)

According to a Mexico City, 27 December datelined report, Mexican Petroleum, Pemex, paid the treasury 106.447 billion new pesos, equivalent to about $13 billion, in direct and indirect taxes. Pemex further reports that this was 43.545 billion new pesos more than what it paid in 1994. (Mexico City NOTIMEX in Spanish 0906 GMT 27 Dec 95)

Labor Under Secretary Javier Moctezuma Barragan has reported that unemployment dropped from 7.8 to 6 percent over the past few months, according to a 27 December report datelined Mexico City. (Mexico City NOTIMEX in Spanish 2052 GMT 27 Dec 95)

According to a Mexico City, 27 December datelined report, the commerce and energy secretaries disclosed an agreement that restricts the import and export of minerals listed under 17 tariffs. Ten items will need Energy Secretariat authorization for import and include such things as uranium, plutonium, cesium 137, and radioactive cobalt. The main idea is to control nuclear and radioactive materials to comply with international and national agreements. (Mexico City NOTIMEX in Spanish 2221 GMT 27 Dec 95)

Communications and Transport Secretariat has reported awarding six long-distance telephone concessions, according to a 27 December report datelined Mexico City. The concessions become effective August 1996 and include telecommunications network infrastructure. Avantel, Iusatel, Marcatel, Investcome, Unicom, and [word

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indistinct] are some of the winning firms. The authorities are studying firms for long-distance services such as Cableados y Sistemas, Miditel, Portatel, Intercom, and PCM Comunicaciones. The secretariat reports that investments that surpass 30 billion new pesos over the next seven years have been made in just 10 months of the new Federal Telecommunications Law. (Mexico City NOTIMEX in Spanish 2314 GMT 27 Dec 95)

According to a Puebla, 27 December datelined report, Germans are to invest $180 million in 1996 with the installation of 12 automobile enterprises in Puebla State. This will create more than 2,000 direct jobs. A spares distribution center will be set up for Volkswagen, Ford, Nissan, Chrysler, General Motors, Honda, Mercedes Benz, and BMW. (Mexico City NOTIMEX in Spanish 2336 GMT 27 Dec 95)

According to a Mexico City 27 December datelined item, the Environment, Natural Resources and Fisheries Secretariat has reported that during the first 10 months of the year, the fishery sector grew 9.8 percent compared to 1994 and fished 1,149,427 tons of sea products. The secretariat noted that this activity yielded $417.5 million. (Mexico City NOTIMEX in Spanish 0903 GMT 27 Dec 95)

According to a Mexico City 27 December datelined item, the Central Bank of Mexico reported today that on 22 December its international reserves marked a $1.501-billion increase over the previous week for an international reserves total of $16.056 billion. The bank reported that this balance represent an income of $1.688 billion, of which $1.104 are the product of an IMF note. (Mexico City NOTIMEX in Spanish 1714 GMT 27 Dec 95)

According to an analysis prepared with data provided by the Bank of Mexico and the Bancomer Financial Group, at the end of December the real interest rate of the 28-day Treasury Certificates was 6.39 thus representing the best alternative of some fixed-revenue market tools. (Mexico City REFORMA in Spanish 29 Dec 95 via Internet)

According to a Mexico City 29 December datelined item, the Mining General Coordination Board of the Secretariat of Commerce and Industrial Development has reported that from January to October, Mexico's mineral and metal sector produced $2.235 billion, a 122.1- percent increase, at current prices, over the same period in 1994. At last year's constant prices, this represents a 9.7-percent increase. (Mexico City NOTIMEX in Spanish 2146 GMT 29 Dec 95)

The Commerce and Industrial Development Secretariant has imposed 12 compensatory quotas on steel imports from various countries because of unfair trade practices. This Thursday the OFFICIAL DAILY published a final resolution on antidumping and antisubsidy investigations on plate rolls from Brazil, Canada, Korea, the United States, South Africa, and Venezuela. (Mexico City REFORMA in Spanish 25 Dec 95 via Internet)

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Guatemala

Defense Minister To Request Information on DeVine's Case

PA0401230996 Guatemala City SIGLO VEINTIUNO in Spanish 4 Jan 96 p 3

[FBIS Translated Text] National Defense Minister General Marco Antonio Gonzalez Taracena has said that today he will officially ask the Foreign Ministry to request information from the U.S. Government about Michael DeVine's case.

Foreign Minister Alejandro Maldonado Aguirre, however, said that he will not take any official steps with regard to this case and will allow the Public Prosecutor's Office [MP] to carry out its work as the institution that is in charge of crimes.

Both of them reacted to news that Bill Clinton's government this month will reveal classified national security information pertaining to the murder of his fellow countryman DeVine.

Gonzalez also commented on charges leveled by a former DEA agent, and although he assured that human rights are currently being respected by the institution, he replied "I do not know" when asked about respect for human rights in the past.

The official said that he has no official information about this case and all he knows is contained in a SIGLO VEINTIUNO article. He underscored the statements cited by this paper made by Bob Stear, boss of the former DEA agent who leveled the charges, praising the Army.

Gonzalez noted that they are waiting for official information and ruled out that it could hurt the institution, and he added that if the person leveling the charges has evidence to back them up he should present them to the appropriate bodies in order to determine responsibilities.

Military Men Have Increasingly Less Participation in DEA Program

As for the possibility of adopting measures against those who are leveling the charges, the military chief pointed out that he is waiting for official information about the note before asking for measures that could turn out to be advisable at a given time.

Gonzalez added that current relations with the DEA involve a program with the Treasury Police and increasingly less participation of the military, because they are not responsible for investigations. Finally, he denied having prior knowledge that the DEA has infiltrated or participated in investigations within Guatemala.

The Foreign Ministry Will Only Be a Conduit for the MP

Foreign Minister Maldonado noted that the charges pertain to certain persons and not to the institution, and he reaffirmed that the judicial bodies and institutions in charge of crimes are the ones that should request investigations and the presentation of evidence, and in this regard, the Foreign Ministry will only serve as a conduit.

Finally, Government Minister Carlos Reynoso explained that the DEA is officially involved in technical and personnel training activities with the participation of the Treasury Police under the leadership of Guatemalan officers. He denied that the DEA is involved in investigations within Guatemala.

Electoral Official Predicts Election Results by Monday

PA0401232196 Guatemala City Televisiete Television in Spanish 1900 GMT 4 Jan 96

[From the "Channel Seven News"]

[FBIS Translated Text] The vote-counting center at the National Theater will be ready on Friday. At present, all installations are being checked to avoid any mishap.

Supreme Electoral Tribunal President Mario Guerra Roldan said the center will be furnished with more than 100 computers, which will receive the ballot count from all the regions. He noted this will guarantee the announcement of preliminary results on Sunday evening and the possibility of officially announcing general results at Monday noon. The fact that only presidential elections will take place facilitates the work, Guerra said.

Honduras

Commissioner Valladares: Military Withholds Information

PA0501022696 Panama City ACAN in Spanish 1605 GMT 4 Jan 96

[By German Reyes]

[FBIS Translated Text] Tegucigalpa, 4 Jan (ACAN-EFE) — Human Rights Commissioner Leo Valladares maintains that the military continues to withhold information regarding the disappearance of persons during the 1980's.

In a statement to ACAN-EFE, Valladares said that he was pleased by the actions initiated by the justice system

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in his country to investigate and try civilians and soldiers responsible for the disappearance of approximately 184 Hondurans and foreigners in the last decade.

Action was taken after Valladares issued his "The Facts Speak for Themselves" report on 29 December 1993, in which Valladares made a number of recommendations to Honduran authorities aimed at stopping impunity.

Valladares believes that part of the report on the missing persons "has raised our conscience at a national level regarding the responsibility of the military authorities, and on a lesser scale, of civilians, and their participation in human rights violations, which led to another issue, that of impunity."

The struggle against impunity "has been motivated by the same desire as that of knowing the truth about the missing persons' issue."

The changes in the Honduran justice system which please the commissioner are apparent in two accusations made by the Attorney General's Office against 15 active and retired military officers on July and October 1995.

The actions have gone so far as make fugitives three of the accused officers, against whom a judge issued an arrest warrant on 17 October 1995.

In Valladares' opinion, Armed Forces Chief General Luis Alonso Discua has in some way incurred in a crime by not ordering the accused to surrender to the law.

In addition, by not turning themselves in, the accused are admitting that they were responsible for the disappearances of persons, Valladares added.

The military claims that the accused officers are covered by two amnesty decrees issued in 1987 and 1990. Human rights organizations and other social sectors reject this claim.

Valladares said that the 1990 amnesty law was "politically negotiated" in an environment which lacked the political opening now experienced in Honduras.

The negotiation, Valladares adds, was carried out outside the law because the National Congress overstepped its powers."

Valladares believes the Armed Forces' policy has been to "deny and deny", however, now they are "in a serious bind because the investigations of the judiciary have gone far beyond what the army expected."

Valladares also said that the fact that the military is protecting officers accused of the disappearance of persons and harboring them as fugitives "with the support of the military establishment, shows defiance for the legal system and institutions which could be harmful to the development of the country."

In general terms, the commissioner believes that results of the search for those responsible for the disappearances have had two effects: One, on a broad level, because for the first time civilians have dared to defy the military and have brought legal proceedings against them, and another, on the level of specific cases (such as that of the accused officers).

Moreover, Valladares said that the declassification of information regarding human rights violations in Honduras, which the United States solicited last year, has slowed down because of the crisis experienced by the U.S. Government bureaucracy.

However, Valladares emphasized that in the United States "the issue of the missing persons has had a greater effect than we can imagine." As an example, Valladares cited the large amount of information published in influential U.S. newspapers, and a recommendation which the NEW YORK TIMES made in December to General Luis Alonso Discua regarding "Lessons in Democracy."

Nicaragua

Government Predicts Better Economic Situation in 1996

PA0501022496 Managua Canal Dos Television in Spanish 0030 GMT 4 Jan 96

[From the "TV News" newscast — passages within quotation marks recorded]

[FBIS Translated Text] Contrary to predictions, the government has asserted that 1996 will be economically better than 1995, but it admitted that some basic conditions are necessary.

[Central Bank President Jose Evenor Taboada] "If we maintain the appropriate campaign, as the cardinal [Miguel Obando y Bravo] has asked, the conditions will therefore be given for further investments, the generation of jobs, and economic growth."

The Central Bank president said the government will continue to implement the labor mobility plan as a measure to reduce public expenses; adding that approximately 3,500 employees might enter the program this year. Nevertheless, the goal is much higher because, out of 11,000 employees who should have joined the plan between 1994 and 1995, only 50 percent have left voluntarily.

[Taboada] "A very important part of the goal is reached with the privatization of Telcor [Nicaraguan Telecommunications and Postal Services Institute] because Telcor's privatization implies a private enterprise will employ this personnel, which will remain stable under the

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agreements that have been signed. However, they will no longer be employed by the state; instead, they will be part of a private enterprise."

Economic Cabinet Predicts Better Economic Situation

PA0501043396 Managua Sistema Nacional de Television Network in Spanish 0130 GMT 4 Jan 96

[From the "National Newscast"]

[FBIS Translated Text] The economic cabinet is optimistic and it states that the economy begins 1996 on a sound footing, with the possibility of achieving a 5-percent growth. On 10 January every year the president of the Republic ratifies, or makes changes, in her government cabinet. No speculation about substantial changes has occurred so far, except Environment and Natural Resources Minister Milton Caldera, who will now work in the private sector.

The economic cabinet members seem to be the untouchables because the economy grew 4 percent, inflation remained 11.4 percent at year end, and exports totaled $525 million — the highest figure reached in recent years — under their directives in 1995.

[Presidency Minister Julio Cardenas recording] For 1996 we expect a 5—percent growth rate in the GDP and an inflation rate that should not exceed 10 percent. [end recording]

A significant achievement for President Violeta Chamorro's government was the sale of 81 percent of the international commercial debt.

[Foreign Cooperation Minister Erwin Kruger recording] This operation generates an enormous amount of confidence because we pay our debt and grant Nicaragua, for the first time in 17 years, access to international commercial credit, both banking credit and suppliers' credit. The credit line had been virtually closed to Nicaragua since 1978. [end recording]

Given these economic perspectives, it is taken for granted the current economic cabinet will not undergo substantial changes to make these plans and projects possible.

Ministry Claims Parallel 17 Maritime Border With Honduras

PA0401232396 Mexico City NOTIMEX in Spanish 2010 GMT 3 Jan 96

[FBIS Translated Text] Managua, 3 Jan (NOTIMEX) — Nicaragua today claimed its sovereign rights in the territorial waters of the Caribbean Sea on Parallel 17, a maritime border not yet defined with Honduras that claims part of this fishing area.

Foreign Minister Ernesto Leal rejected that the maritime delimitation with Honduras in the Atlantic Ocean is on Parallel 15, as the Tegucigalpa authorities claim, and insisted that Nicaragua claims sovereign rights up to Parallel 17.

Leal announced that the Honduran-Nicaraguan Joint Commission will meet shortly, although an exact date has not yet been established, to solve the problems resulting from the lack of delimitation. This has resulted in continuous incidents when boats fishing illegally in waters claimed by this country are captured.

In this manner, the official replied to the statements made by Noe Portillo, director of the Honduran Geographic Institute, who stated that the maritime delimitation between the two Central American nations was established by Parallel 15.

"Nicaragua strongly maintains that the maritime delimitation with Honduras in the Caribbean Sea is not Parallel 15. We claim sovereign rights up to Parallel 17, Leal told the local press.

"Honduras has its stand," he said, but "we have our own" concerning the discrepancy over the parallel that defines the maritime delimitation between the two countries in the Atlantic Ocean.

Leal made the statements after visiting the Managua sea wall, which is being prepared for the mass Pope John Paul II will officiate during his visit to Nicaragua on 7 February.

The foreign minister feels that the maritime delimitation "is essential" for preventing tensions resulting from the capture of Honduran fishermen in territorial waters claimed by Nicaragua. This process should "begin as soon as possible in order to solve the problem permanently," he emphasized.

Panama

President Orders Further Study of Amnesty Bill

PA0401224196 Panama City LA PRENSA in Spanish 4 Jan 96 p 1A

[Report by Ibeth Vega G.]

[FBIS Translated Text] President Ernesto Perez Balladares ordered a political and legal analysis of the amnesty bill which was approved by the legislative assembly in second debate because the legislators "did not respect their agreement."

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Perez Balladares yesterday broke the silence he had kept for a number of days regarding the sudden approval of the amnesty bill during second debate. He did not say whether he would veto the bill if it were approved.

The president said he asked a group in the PRD [Democratic Revolutionary Party] to analyze the political aspects of the bill and the presidency's corps of legal advisers to analyze its legal aspects.

"In the first place, our political agreement was that this would be a very widely debated issue among all parties interested in participating, such as the church, civic organizations, and civic clubs. Evidently, at least that part of the agreement was not kept because the bill was approved, as you reporters say, in a sudden action," the president said.

Perez Balladares added that the amnesty bill has to be studied to see if it complies with the law in regard to persons who have been found guilty of committing crimes, embezzlement, or theft.

"I believe that it would send the wrong message to Panamanian society. I believe that it is possible that some persons who have been accused in proceedings in which pardons have already been issued could adhere to this amnesty bill," Perez Balladares said.

Perez Balladares said that, likewise, the legal advisers should determine if the bill should be presented for third debate at the start of the new legislative period.

Regarding the creation of an institution to determine if a person may adhere or not to the amnesty bill, Perez Balladares said that he has his own opinion which "does not coincide with that rather strange committee which has been created by the assembly, or with the bill it approved."

"Hence, I am waiting for the results of the two consultations to make my position known regarding this bill," Perez Balladares said. He added that there are different points of view regarding this issue within the PRD, but no internal struggles.

Moreover, Perez Balladares pointed out that the severe criticism raised against the concession of special powers to the executive branch by the legislative assembly are "unusual and unjustified," because the decisions made under those powers are subject to the approval of the full legislature.

The executive chief said that these powers are used by many democratic governments to facilitate the government's actions in regards to the accumulation of numerous projects in the assemblies and parliaments.

"These are not unlimited or broad powers, but specific powers which the legislative assembly has granted to deal with very specific issues regarding labor conditions in the export zones. Second, they are not dictatorial powers, or much less, because anything that is done under these special powers will have to be evaluated by the full assembly," Perez Balladares stressed.

Perez Balladares also reiterated his harsh criticism against the government bureaucracy and warned the Comptroller's Office personnel that his determination to fight the vices of bureaucracy "will not be forgotten nor become less severe."

"This clinging to red tape in government institutions merely because government employees feel that to strip themselves of it would reduce their share of power must end now," the president said.

Perez Balladares, who spoke during the installment of the new board of directors of the Association of Workers of the Comptroller General's Office, believes unnecessary procedures "in the long run, become sources of corruption."

Minister Denies Unemployment Rate To Increase

PA0401224296 Panama City EL UNIVERSAL DE PANAMA 4 Jan 96 p 6A

[Report by Berta Burgos]

[FBIS Translated Text] Planning and Economic Policy Minister Guillermo Chapman has denied a likely increase in the unemployment rate from 13.8 to 17 percent due to the mergers of large local companies.

The planning minister's comments were made following the Association of Panamanian Industrialists (SIP) criticism of the economic policies the central government has implemented.

Even though there is a trend to merge large companies operating in the country, it does not mean that the unemployment rate will increase to 17 percent in 1996, because it would mean the loss of thousands of jobs, "which is impossible," Chapman affirmed.

On another subject, Chapman pointed out that the Legislative Assembly duly approved an investment program for one billion balboas for 1996, which represents the highest amount allocated to public works currently in the process of being executed in the country.

Chapman underscored that these investments could have a bearing on the creation of jobs, adding that, once the works are finished, they will facilitate production and will promote more efficiency in the companies and members of the various sectors.

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The minister also affirmed that he believes unemployment will not increase, but that it will drop, for other reasons besides the ones already mentioned.

Meanwhile, SIP economist Rogelio Alvarado said that the mergers among large firms will be very frequent in 1996, because the economic globalization will force local businessmen to increase their competitiveness while reducing their production costs.

He maintained that "the mergers will elicit the elimination of entire departments, which will increase the unemployment rate by approximately 4 percent." According to the economist, Panama and Nicaragua will have the highest unemployment rates in Latin America.

Concluding, Alvarado stressed that, in Panama, the unemployment rate was 7 or 8 percent in 1989 and that it started increasing until 1995, when it was 13.8 percent; that is, 138,000 people are jobless.

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Argentina

Menem Receives Credentials of New Kuwaiti Envoy

PY0501022796 Buenos Aires TELAM in Spanish 1300 GMT 4 Jan 96

[FBIS Translated Text] Buenos Aires, 4 Jan (TELAM) — President Carlos Menem this morning met the new Kuwaiti ambassador to Argentina, Ali Fahd 'Abd-al Rahman al-Zaid, at the Olivos Residence.

Beginning his diplomatic mission in Argentina, the Kuwaiti ambassador presented his credentials to Menem at 0900 today.

Government sources reported that the ceremony was held at the Olivos Residence main hall. Ali Fahd 'Abd-al Rahman al-Zaid is replacing 'Abd-al-'Aziz 'Isa al-Khoder.

President Menem was accompanied by Foreign Minister Guido Di Tella, Foreign Ministry officials, and Kuwaiti Embassy officers.

Media Undersecretariat of the Presidency sources reported that the president would be involved in private activities the rest of the day.

Controversy Over Partial Veto of Patents Law Viewed

PY0401181196 Buenos Aires NOTICIAS ARGENTINAS in Spanish 0132 GMT 4 Jan 96

[FBIS Translated Excerpt] Buenos Aires, 3 Jan (NA) — Pablo Challu, head of the Argentine Pharmaceutical Industry Center (CILFA), today termed the president's partial veto of the latest version of the Patents Law "a grave error" because "we again find ourselves faced with an institutional anomaly."

Felix Rozansky, representative of the Argentine Chamber of Pharmaceutical Specialties (CAEME), believes the president's partial veto constitutes "an admonition over the need to abide by the international treaties Argentina has signed."

Challu considers the legislation enacted by Congress put things back in their place and confirmed its will to enact that law," adding that the president's veto "is tantamount to telling Congress it knows not what it is doing." [quotation marks as received]

He stated that while the incumbent administration "interprets the international GATT treaty as it wishes while by enacting this law, Congress is saying that the lawmakers have already interpreted the treaty and acted accordingly."

Challu emphasized: "The president's veto returns us to a situation of institutional anomaly, a lack of legal security. We do not know if we have a law or if it was replaced by a [presidential] decree. This legislative mess created by successive vetoes and attempts to issue decrees to limit Congress' only serves to create a legal insecurity which affects everybody."

Challu underlined: "The most important thing now is to respect the normal institutional operation of our country because, as President (Carlos) Menem said, the Argentine patents law wholly abides by GATT" principles.

Challu explained that Congress "struck a balance between the interests at play, namely; foreign companies, international pharmaceutical companies, consumers, and government interests."

Speaking on the radio, Challu added: "There has been an attempt by foreign countries and some international pharmaceutical companies to break that balance."

Rozansky said: "The whole patents law issue must be improved, that is to say, all the laws that have been enacted must be reviewed so as to support domestic research and researchers." [passage omitted]

Rural, Agricultural Leaders Comment on Sector Troubles

PY0501105696 Buenos Aires LA NACION in Spanish 30 Dec 95 Fifth Section pp 1,6

[Article by Roberto Seifert]

[FBIS Translated Excerpt] [passage omitted] Reviewing well-known problems, which unfortunately are still current, the Argentine Rural Society (SRA), the Argentine Rural Confederations (CRA), the Agricultural-Livestock Intercooperative Confederation (Coninagro), and the Argentine Agrarian Federation (FAA) specifically mentioned high indebtedness, the tax burden, high interest rates, and tight credits.

SRA President Enrique Crotto said many farmers are enduring a difficult situation. Increased farm product prices will not be sufficient for these farmers, he said.

Coninagro President Valentin Levisman reported that an all-time record debt of about 8 billion pesos, which represents 45 percent of the yearly gross value of the Argentine agricultural and livestock production, currently affects the agricultural and livestock sector.

The Coninagro president noted that even though current prices for agricultural products, like cotton and rice, from La Pampa Province and other regions are favorable and apparently would hold for a while, they merely represent a prospect, not a fact.

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FAA President Humberto Volando said there is a widening gap among farmers over the results of their crops. Those operating with their own capital and clear of debts — who are only a few — are better off. Conversely, those coping with a considerable indebtedness over the depletion of their capital — the majority — are in a critical situation.

CRA President Manuel Cabanellas noted that "costly and tight" credit has become a mechanism that only serves to transfer production related funds to the banking system through the levying of "outrageous rates."

Cabanellas noted that, despite these problems, in the near future they may again achieve huge grain production as farmers are investing more than 4.2 billion pesos in planting, harvesting, and marketing grain and oil seeds.

SRA President Crotto believes the upsurge in domestic market prices is extremely encouraging for the 1995/1996 crop plantings, which were limited by the extended winter drought. The drought caused a 12-percent reduction in wheat plantings, he said. Crotto said there are very good prospects for wheat futures as there is a shortage on the international market. [passage omitted]

The agricultural and livestock sector leadership emphasized the good prospects for meat exports and the excellent results achieved in the struggle against hoof-and-mouth disease (by April 1995, no hoof-and-mouth disease had been reported for a year). The agricultural and livestock associations believe this is promising for our livestock sector future once our country becomes integrated into the circuit of countries without any hoof-and-mouth disease and new markets, like the U.S. and Japanese markets, are opened. [passage omitted]

The SRA believes 1995 was a good year for exports, with $1.1- billion shipments; 48 percent more than in 1994. During the first 10 months of 1995, 432,000 tonnes were shipped, 50 percent more than the same period in 1994. With regard to the Hilton quota, 1,200 additional tonnes have been approved for joint ventures involving meat packing plants, and groups of cattlemen and/or cattle breeding associations. [passage omitted]

Economists Predict Improvement in 1996

PY0401012496 Buenos Aires TELAM in Spanish 1829 GMT 3 Jan 96

[FBIS Translated Excerpt] Buenos Aires, 3 Jan (TELAM) — Ten economists from different political affiliations have agreed that 1996 will be a year marked by the continuation of many of the problems that afflicted the country last year, although with obvious signs of better and more normal times.

The economists defined, with some differences, what the main characteristics of 1996 will be: It will be "a more normal" year compared to 1995, the main issue will be unemployment, Economy Minister Domingo Cavallo will stay in his post, and the convertibility plan will continue in effect with the present peso-dollar parity.

Among the economists who reached these conclusions are Juan Carlos De Pablo, Adolfo Sturzenegger, Roberto Alemann, Enrique Folcini, Jose Dagnino Pastore, Juan Jose Llach, Miguel Angel Broda, Adalberto Rodriguez Giavarini, Carlos Melconian, and Jose Luis Machinea.

For De Pablo, the main question that will afflict Argentina this year "will be unemployment and the distribution of wealth. I would dare say that unemployment, with the new characteristics that are now coming to light, is for the government what AIDS is for doctors."

According to Radical [Radical Civic Union, UCR] Adolfo Sturzenegger, "the fiscal deficit is the main economic problem facing the country and the main cause of our recession." Sturzenegger made this comment to the magazine "Bankers and Entrepreneurs."

The Radical economist explained that a fiscal adjustment "could have the direct effect of contracting the economy, but ours is a small and globalized economy and the adjustment could also produce a greater indirect economic expansion."

Former Finance Secretary Roberto Alemann said that the main problem facing the country's economy in 1996 "will be to overcome the recession produced by the tequila effect in the area of consumer durable goods, some consumer goods, construction, and certain services."

Fiduciary Fund Chairman Enrique Folcini, however, thinks that "the main risk during 1996 will be the nonconsolidation of expectations that started showing in November."

According to Folcini, the change in expectations was produced by two elements: "The announcement of a second state reform and the perception that the government political infighting has ended."

Former Economy Minister Jose Maria Dagnino Pastore thinks that "there is a clear consensus with respect to the main risks: two of them are the level of activities and its repercussion on unemployment, and the fiscal situation."

According to Economic Programming Secretary Juan Jose Llach, "Argentina's Achilles heel, the red light that is turned on at this time, is the country-risk factor."

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Llach said: "The priority is to force a recovery of our level of activities. In 1996 we will have to deepen the reform of the state and labor."

Llach said: "If we can do this, the economy will recover with a growth of 2 percent for consumption and 10 to 15 percent for investments and exports."

Llach stressed that "in this scenario the GDP will grow by 5 percent. It is a highly likely possibility if we persevere in this path. One point in favor is that the level of political uncertainty has dropped," the economist and sociologist stressed. [passage omitted]

Economist Carlos Melconia gave a list of four basic risks for Argentina in 1996: An international risk, a political risk, a risk with social security (if the Social Security Emergency Law is declared unconstitutional), and a climatic risk if weather affects agriculture production.

Finally, former Central Bank President Jose Luis Machinea said that "the level of economic activities will not recover. There are few reasons to think that there will be a recovery in this area."

In Machinea's opinion "the improvement will not be obvious until the second quarter of next year."

Continuing Record Trade Seen

96SM0037B Buenos Aires LA PRENSA in Spanish 17 Dec 95 p 2

[Commentary by Moises Trujillo, president of the Argentine-Brazilian Chamber of Commerce: "Headed Toward New Trade Records"]

[FBIS Translated Text] One year after its start, Mercosur [Common Market of the South] has become an excellent example of a regional trading bloc. The reasons are several. First, because political activity connected with the common market has, logically, declined, while at the same time, private activity has expanded, both in the volume of trade and in new business opportunities.

The second positive aspect is that Mercosur has undergone its acid test. It had to deal with a disruptive issue, the conflict in the automotive sector. Once tensions had eased, negotiations were arranged, and progress continues to be made.

The third reason is the volume of trade, which is going to hit a record. And fourth, Brazil has become Argentina's number one customer, relegating the United States to second place.

This year, when political activity seems to be slower, many business delegations from various places in Brazil (Porto Alegre, Sao Paolo, Parana, Santa Catarina, Pernambuco, the northeast) have come to Argentina, and vice versa (to Sao Paolo, the northeast, Minas Gerais, Rio Grande do Sul, etc.). And then there are the other activities in which interested parties in the member countries are becoming involved, at times quietly. For example, some Argentines are getting involved in privatizations in Brazil. I am talking in particular about the leasing of highways and oil businesses (in partnership with Petrobras, in preparation for deregulation).

To be sure, the fine-tuning of regulations will never be completed. This is a process that we will have to get used to living with: dealing with asymmetries, disagreements, misgivings.

There are many controversial issues. For example, the lack of road infrastructure, transportation, energy, the operation of customs houses. In reality, though, the controversies are for the most part the same ones that existed when trade was less than $300 million. I am not frightened by any problems that might arise. Ten years is long enough to realize that the uptrend is permanent. Temporary situations in a given country at a given moment will obviously have an influence. But the resulting trend is what matters.

If the uptrend has held for a decade, then we should be able to predict something similar for the next 10 years. There is already talk of trade exceeding $50 billion before 2005.

Lastly there is the issue of foreign relations. Quite a bit of progress has been made with Chile and Bolivia. And there are agreements with the European Union in the fields of research, education, and training. These are like advances on the business that will come later, as we move toward the new free trade zone that has just been agreed on.

Threats to Credibility of Institutions Seen

96SM0035B Buenos Aires CLARIN in Spanish 17 Dec 95 p 16

[Editorial: "Reactions That Harm Our Institutions"]

[FBIS Translated Text] The way in which a senator-elect and a senatorial hopeful have reacted to a court order, and the kind of negotiations that the parties to which they belong conducted, have palpably impaired the prestige and credibility of fundamental institutions of our political system.

Congress represents the citizenry in issuing laws and is empowered to act as a check on the other two branches of the Republic; hence, the behavior of its members must conform to ethical standards and not create grounds for mistrust or suspicion among the population.

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Therefore, Congress' image was badly tarnished when we learned of the arrest warrants that the courts had issued for Horacio Massaccesi and Ramon Saadi and even more so when they chose to hide behind their immunity or their political backing so as to avoid appearing in court.

The former governor of Catamarca has also committed a serious transgression in using the installations of the legislature, to which he does not belong, to evade the warrant of an institution that functions under the executive branch, the Federal Police, which moreover was acting at the behest of the judiciary.

It is equally blameworthy that political allies of the two men not only backed their decision to ignore the judges' orders but also even undertook negotiations in which they used membership in the Senate and immunity against prosecution as bargaining chips.

We should bear in mind that this is happening at a time when Congress' image has already been tarnished by the confusing procedures used to appoint new members of the Senate.

When institutions and their powers are manipulated for personal or group purposes, a lack of trust in our political leaders, which already exists to a degree, spreads further among the population.

To prevent this attitude from spreading, politicians and parties must behave responsibly, respect the ethical standards that apply to private life and public service, and under all circumstances help through their example to strengthen respect for the justice system.

Inefficiency, Corruption in Use of FONAVI Funds

96SM0036A Buenos Aires CLARIN in Spanish 18 Dec 95 p 20

[Article by Gustavo Bazzan: "Inefficiency and Corruption in Housing Construction"]

[FBIS Translated Text] Over the past 20 years the National Housing Fund (FONAVI) has spent $20 billion (at current values) to build just 511,790 units.

The disproportion between the two numbers shows that government spending to alleviate the housing shortage over the past two decades has been altogether ineffective. The outcome of the effort speaks for itself. FONAVI spent $39,100 on each dwelling, whereas most of these low-cost homes were sold at auction for $12,300.

All of these data appear in the report on the housing situation in Argentina that was drafted by the Capital Foundation, headed by economist Martin Redrado. The research and data collection were handled by Heriberto Jauregui Lorda, the engineer who is currently the director of housing policy at the Housing Institute of Buenos Aires Province.

The explanation of all this wasteful FONAVI spending involves two factors: "inefficiency and corruption in the system under which the plans were carried out." In particular, the report says, the powerful influence that contractors were able to exert is to blame.

"The magnet attracting all these interests was the money that FONAVI receives annually to transfer to the provinces," Jauregui Lorda told CLARIN. FONAVI takes in some $800 million a year, the source being 40 percent of the revenues that the state receives from the fuels tax.

The quality of the homes that FONAVI has built is also called into question. Most do not have a market value of more than $5,000 today; others are given away, and a very small percentage sell for more than $10,000.

The situation is made worse by this other factor: delinquent payments from homeowners. According to the report, more than half of the payments to FONAVI were in arrears, owing to a very low level of loan recovery.

The situation is similar in the provinces. In 1994, Buenos Aires took in just 15 million (through its Housing Institute) in loan payments, against a total outlay of 160 million.

Too Many Players

Jauregui told CLARIN that most of the problems were due to the centralization of the work. "A single bidding would decide the construction of thousands of homes, thus setting the stage for the big companies to divide up the business among themselves."

In light of this, the decision was made in recent years to decentralize the program, transferring decisionmaking power to the municipalities, especially those that are not part of the Buenos Aires metropolitan area.

In spite of this initiative, the housing situation remains critical. According to a survey by the Social Development Secretariat, more than 12 million Argentines live in substandard housing. And many of them live in critical conditions. Some 2.1 million units represent a problem that requires an urgent solution.

This dramatic situation is apparently not easy to overcome. The report mentions that around $60 billion is needed to alleviate the national shortfall. In comparison, government social spending on housing will total $1.448 billion in 1995; thus, more than 40 years of this

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level of spending would be needed to make up for the shortfall.

The numbers are proving one Economy Ministry official right. Juan Llach, the secretary of economic programming, argued more than once against those who are pushing for drastic cuts in public spending. Llach often said that "the level of spending is adequate but terribly inefficient."

[Box, p 20]

An Example

The best example of the poor utilization of funds in building low-cost housing was the Federal Capital's Municipal Housing Commission (CMV). Until last year the commission earmarked 80 percent of its funds for staff salaries. It had a budget to construct 5,000 housing units a year but built only 1,000. The projects that the CMV contracted out in 1993 had cost overruns of 91 percent for plumbing and 245 percent for elevators, according to an audit. The contracts for some projects that were never built called for advance payments.

Governors Discuss Fiscal Pact III

96SM0035A Buenos Aires CLARIN in Spanish 18 Dec 95 p 4

[FBIS Translated Text] **Discussions Aimed at Signing of Fiscal Pact Stepped Up**

The governors will hold further informal contacts today to conclude fiscal pact III.

The date has already been set for the final discussion; it will take place on Wednesday at 1500 during the official opening of the 15th Special Assembly of the Federal Investment Council (CFI).

The first draft of the accord, which will regulate the apportionment of tax and financial revenues between the national government and the provinces, contains some points on which agreement has already been reached with the provinces and others on which agreement is still pending.

Among the former are:

- Extending until the end of 1996 the clause guaranteeing 745 million pesos to be distributed monthly among the provinces even if revenue-sharing monies fall below that level.
- There is also an agreement under which the federal government, using revenue-sharing monies, will guarantee any foreign loans taken out by provinces whose budgets are balanced but that have financial debts.

In contrast, the pending matters are:

- The creation of a Trust Fund of some $1.2 billion, secured by the YPF [Government Oil Deposits] shares in state hands, which would be used to obtain fresh funds to pay off the back wages owed to the provincial public sector.
- Extending the scope of the Trust Fund to the transfer of retirement funds. Until now, the portion of the Trust Fund earmarked for the provinces can be used only to finance the provincial banks that are being privatized.

The national government has made the offer to the provinces that transfer their social security funds, which posted an overall deficit of 924 million pesos in 1994. So far just four jurisdictions have taken this step: Catamarca, Santiago del Estero, San Luis, and the Federal Capital.

- Another clause that the National Executive Branch wants to include in fiscal pact II is one under which the provinces will privatize electric power and water companies, in addition to their banks. In this regard, Santa Fe Governor Jorge Obeid confirmed yesterday that he would continue to move forward with the privatization of the Bank of Santa Fe and the Provincial Power Enterprise (EPE) and with the transfer of the Retirement Fund, because otherwise "it is going to be impossible to think about an economic takeoff and productive development for the province."

The Battle for the Fund

Early that same Wednesday the Justicialist governors will also discuss whether to preserve the Fund for the Buenos Aires Greater Metropolitan Area, from which Governor Eduardo Duhalde receives 600 million pesos a year. Three governors have already come out against it: Nestor Kirchner (Santa Cruz), Ruben Marin (La Pampa), and Arturo Lafalla (Mendoza).

The 15th Assembly of the CFI will be a formality. The head of the council himself, Juan Ciacera, admitted yesterday in the official notice of the meeting that its "objective will be to continue the analysis of the national government's counterproposal in connection with the search for solutions to the provinces' financial difficulties."

The five-point proposal that the provinces submitted to the national government on 30 October suggested the controversial possibility of across-the-board wage cuts.

On 16 November the national government sent its counterproposal, a much more extensive document that

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while calling for harsh measures does not support wage cuts. In other words, it left such a move up to the consideration of each province.

Last year the 24 jurisdictions posted a deficit of 2.284 billion pesos, and according to Finance Secretariat estimates, the provinces are some 12 billion in debt.

[Box, p 4]

Pacts I and II

The first fiscal pact was signed in August 1993 to put the difficult financial relations between the national government and provincial governments in order. The accord sought to reform provincial balance sheets and lessen the tax burden on production. The governors pledged to:

- Repeal the stamp tax
- Repeal the provincial and municipal taxes on fuels, gas, and electricity
- Eliminate the tax on gross income in raw materials production and industry
- Privatize provincial public-services enterprises
- Replace, over three years, gross revenues with a general consumption tax

The national government pledged to:

- Eliminate the tax on assets and revamp the Federal Capital's tax system
- Reduce the tax consequences of hiring by cutting employer contributions
- Take over the retirement funds that the provinces transfer to the national government
- Set the ceiling for revenue sharing with the provinces at 740 million pesos a month

Although not all of the provinces complied with the agreement, fiscal pact II was signed in June. The new accord extended the first until 1 April 1996, when the new federal revenue-sharing law will also be discussed.

Brazil

French Minister To Visit; To Convey Interest in Sivam

PY0401205396 Sao Paulo AGENCIA ESTADO in Portuguese 1841 GMT 4 Jan 96

[Report by Reali Junior]

[FBIS Translated Text] Paris, 4 Jan (AE) — French Industry Minister Yves Galland will visit Brazil next weekend heading a delegation of 50 businessmen and experts who represent 34 large companies. Among these companies is Thomson, which had been passed over in the selection process for the implementation of the Amazon Region Surveillance System (Sivam). Galland confirmed French interest in competing for Sivam should the Brazilian Government decide to cancel the contract with the U.S. Raytheon company which was initially selected to implement the project, but which has been the target of charges of irregularities.

He said: "If Brazilian officials decide to open a new tender, we will be happy to submit our bids, emphasizing our concern that it would be essential for the process to be transparent." He blamed the Americans for attacks on the French Thomson company. Commenting on reports originated in the United States that Thomson offered bribes to Brazilian officials in charge of the Sivam project, Galland said: "We suffered many unfair attacks."

The fight between the French and U.S. administrations began when the CIA leaked a report to THE NEW YORK TIMES that Thomson had paid bribes to Brazilian officials to obtain the $1.4 billion Sivam contract, but that the U.S. company Raytheon was ultimately awarded the contract. On the eve of the decision in 1994, Galland's predecessor Gerard Longuet made a quick visit to Brazil to defend the French company's position before the administration of President Itamar Franco. That trip, which was poorly planned, provoked criticism even at home, and was described as "disastrous" by the French foreign trade and industrial sectors.

Immediately, U.S. Commerce Secretary Ron Brown visited Brasilia accompanied by an impressive delegation of U.S. businessmen to discuss the same project. The fact that the upcoming visit by Galland, a member of Alain Juppe's cabinet, is well prepared shows the French have learned a lesson.

Senator Says Doubts About Sivam Project Still Valid

PY0401170296 Sao Paulo FOLHA DE SAO PAULO in Portuguese 3 Jan 96 Section 1 p 6

[Report by Lucio Vaz and Lucas Figueiredo]

[FBIS Translated Text] Senator Ramez Tebet (PMDB-MS) [Brazilian Democratic Movement Party-Mato Grosso do Sul], rapporteur of the super commission that is looking into Sivam (Amazon Region Surveillance System), said on 2 January that there are still doubts about the project.

"The TCU (National Accounting Office) report, which pointed at irregularities related to the project, needs an explanation," Tebet said.

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Tebet declined to say whether he will ask for the cancellation of the government contract with the U.S. company Raytheon, which was selected for implementation of the radar system.

Even the government bloc leader in the Senate, Elcio Alvares (PFL-ES) [Liberal Front Party-Espirito Santo] admitted that the current trend among the senators is to demand the cancellation of the $1.4 billion contract.

Alvares is not aware of the latest developments of the past few days, because Aeronautics Minister Lelio Lobo has sought to contact party leaders to defend the maintaining of Raytheon.

Tebet said, however, that up until yesterday the government had not told him that the Air Force intended to rebut the TCU report. "I learned through the press that the Air Force would prepare a report," he said.

A TCU investigation made in November 1995 revealed that six of the nine members of the commission that selected ESCA [Automation and Control Systems Engineering] to manage the project were being paid extra salaries by the enterprise. In May 1995, ESCA was eliminated from the Sivam project on charges of defrauding the Social Security Institute.

The TCU also reported that the Air Force and ESCA had an illegal jointly-owned bank account, and that it was illegally using public funds to pay for services related to Sivam.

In his meetings with lawmakers, the aeronautics minister gave assurances that the contracting of Raytheon involved no illegal action or managerial irregularity.

Lobo has already spoken with Alvares, with super commission president Senator Antonio Carlos Magalhaes (PFL-BA) [Bahia], and with PSDB [Brazilian Social Democracy Party] leader Sergio Machado (CE) [Ceara].

Machado said on 2 January that "if nothing new happens, it will be difficult to modify the contract." Since December he has advocated maintaining Raytheon, with the same arguments used by President Fernando Henrique Cardoso.

In the opinion of Machado, the alleged irregularity reported by Magalhaes is not important. Magalhaes reported that ESCA and Raytheon signed a contract before the U.S. company signed the Sivam contract. "It is standard procedure."

Alvares added that the Air Force answer to the TCU report will also be important for the senators' decision.

The Senate super commission will begin working again on 8 January, at the opening of the special period of congressional sessions.

The government expects to conclude the investigation before 15 February.

Cardoso Seen Coordinating Sivam Effort in Congress

PY0501024796 Rio de Janeiro O GLOBO in Portuguese 4 Jan 96 p 2

[From the "Political Panorama" column by Tales Faria: "The Return of the Coordinator"]

[FBIS Translated Text] President Fernando Henrique Cardoso has started the new year determined to resume his role as the administration's actual political coordinator. As a challenge, he has chosen to remove a wasp's nest: the Senate vote on the Sivam [Amazon Region Surveillance System]. The president considers that if he manages to stem the wave of attacks on Sivam, the administration will be able to win any other battle in Congress.

To this end, Cardoso has decided not to leave the entire burden of the task of reviving the Sivam project on the shoulders of Aeronautics Minister Lelio Lobo. Cardoso himself started making telephone calls to several senators. Yesterday, he succeeded in winning over a major opponent: PPB [Brazilian Progressive Party] President Esperidiao Amin, who is now already in favor of the project. After speaking with Cardoso, Senator Amin called Minister Lobo to convey his position.

Amin said: I can see only reasons to reject the project if Senator Gilberto Miranda proves his contention that he had given Raytheon representative Jose Afonso Assumpcao the names of those people who had supplied money to bribe officials involved in the project. If the senator submits the names, we would prove that a crime has been committed. Otherwise, I can see no objections against the project.

After winning the support of the PPB and of the PSDB [Brazilian Social Democracy Party], the administration's problems would rest with the PMDB [Brazilian Democratic Movement Party] and with the PFL. The president believes, however, that neither the PMDB nor the PFL will adopt a radical position regarding Sivam. In at least four votes, the administration obtained the support of the PMDB bloc despite the opposition of PMDB bloc leader Jader Barbalho.

Most of the PFL bloc would be favorable to the project. The only precaution should be to ensure that Senator Antonio Carlos Magalhaes does not carry his weight against it. To this end, Planalto Palace is preparing a strategy, through the PFL leadership and Vice President

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Marco Maciel, to make sure that Magalhaes plays an impartial role.

Reelection Issue Excluded From Congressional Agenda

PY0501014596 Rio de Janeiro JORNAL DO BRASIL in Portuguese 4 Jan 96 p 3

[FBIS Translated Text] Brasilia — The decision to withdraw the reelection bill from the agenda of the special session of Congress was made on 14 December. During his official visit to China, President Fernando Henrique Cardoso became certain that the bill would only worsen the confusion existing within the administration's political support base in Congress. In light of its exclusion from the agenda, approval of the bill has been now practically postponed until 1997 — a year prior to the conclusion of Cardoso's term in office.

According to a source who met with Cardoso, the president chose to run the risk of antagonizing incumbent mayors — namely Sao Paulo Mayor Paulo Maluf — rather than endangering the whole reform package due to the resistance existing in Congress to the reelection issue. Incumbent mayors are in favor of the bill because they want to seek their reelection in October.

In order for mayors to be able to seek their reelection, the Mendonca Filho (PFL-Pe) [Liberal Front Party-Pernambuco] bill should be approved by the Senate and by the Chamber of Deputies before June — when the parties are due to hold their respective conventions. Yet, none of the ruling coalition member parties is willing to give Cardoso, three years before the end of his term, the assurance that he will be able to seek his reelection.

Macedo's Universal Church-Drug Connections Probed

PY0501010496 Rio de Janeiro Rede Globo Television in Portuguese 2200 GMT 4 Jan 96

[FBIS Translated Excerpt] The Federal Police [PF] and Rio de Janeiro State prosecutors have asked for the tax secrecy rule to be lifted on the companies linked to the Universal Church of the Kingdom of God led by Edir Macedo. The investigations will include deals closed by the church during the past five years.

In their first meeting, PF officials and Rio de Janeiro prosecutors decided to further investigations into the church's businesses. The PF are investigating all the church buildings in border areas.

PF officer Mateus Casado told the prosecutors that the PF are already receiving the cooperation of Interpol bureaus in Colombia and the United States. Here in Brazil, prosecutors today requested that the fiscal secrecy rule be lifted concerning all the companies linked to the Universal Church of the Kingdom of God. Prosecutors are looking for details regarding deals closed by more than 60 companies in the past five years. The investigation will affect 14 television stations, 40 radio stations, two newspapers, a recording studio, and tourism and money exchange companies.

Prosecutors also want information from the Central Bank about the Metropolitan Credit Bank, which has been referred to by witnesses as the church's financial operations center.

The Federal Revenue Secretariat [SRF] is investigating the accounts of pastors of the Universal Church of the Kingdom of God in Rio de Janeiro. [passage omitted]

Publishing copies of passenger records, the newspaper O ESTADO DE SAO PAULO has shown that four pastors of the Universal church traveled to Colombia in December 1989 on a charter flight. The newspaper also published hotel lodging records of the pastors and their wives in Bogota. The charter flight departed from the Rio de Janeiro international airport and, on its return flight, stopped in Manaus for refueling.

Interpol has told the PF that the Universal Church of the Kingdom of God may be involved in drug money laundering in Colombia. This would account for the rapid financial growth of the church. The SRF is also investigating the origin of the church's fortune.

Carlos Magno, a dissident pastor of the Universal Church, has said that the trip to Colombia was designed to bring drug money to purchase the TV Record television station. In an interview recorded on 20 December, Magno claimed Paulo Cesar Farias, treasurer of the electoral campaign of former President Fernando Collor, personally negotiated the purchase of TV Record with businessman Silvio Santos. [passage omitted]

Government To Launch Cable TV Service To Improve Image

PY0401171996 Rio de Janeiro O GLOBO in Portuguese 1 Jan 96 p 4

[Article by Denise Rothenburg]

[FBIS Translated Excerpt] Brasilia — Seeking to improve its image, the government will in July 1996 launch an institutional cable television service. It will broadcast news of public interest and disseminate the ministries' programs round the clock. In its first stage, the so-called "Governet" — which still does not have a definitive name — will be received only by those who subscribe to the NET and TVA networks [expansions unknown]. These are the only cable television networks so far functioning in Brazil.

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Maurilio Ferreira Lima, president of the Brazilian Radio Broadcasting Company [Radiobras], said the main novelty of these programs will be that judicial branch news will be reported. Live broadcasting of court trials will also be aired. To this extent, Radiobras is closing an accord with the Federal Supreme Court and the other superior courts.

He said research conducted in the United States reveals that U.S. trials are the programs with the largest audiences. Brazilian trials and sessions of the Chamber of Deputies will be broadcast.

The Radiobras president mentioned the recent trial of O.J. Simpson, the U.S. football idol, who was charged with murdering his wife and her boyfriend. This trial mobilized the U.S. television networks and obtained the highest audience ratings.

Ferreira Lima said that cable television is part of the future. It is a way to disseminate the government's good news. After all, we have been experiencing a media war in which the only interest is news on the "pink file" and Sivam [Amazon Region Surveillance System], which are not of any interest to the common people. He is now negotiating the launch of this television station via the two cable tv networks. [passage omitted]

Editorial Views President Cardoso's Setbacks

PY0301211296 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 2 Jan 96 p A3

[Editorial from the "Notes and Informations" page: "The Responsibility of the President"]

[FBIS Translated Text] The personality of the president can be considered to be partly responsible for the failure of the matrix-type administration model, and for the public development of the divergencies between the PSDB [Brazilian Social Democracy Party] and the PFL [Liberal Front Party] (let alone the fight against Senator Jose Sarney and the PMDB [Brazilian Democratic Movement Party], which supports him, Orestes Quercia, and Paes de Andrade). Mr. Fernando Henrique Cardoso is a smart negotiator in calm situations, when his intellectual superiority and his political history — which is devoid of criticism — make him prevail over his interlocutors. In times of crises, those qualities become setbacks: the intellectual superiority is seen as a pretense to be superior, and the references to his honest past, which reach the negotiating table through veiled methods, through third parties, is considered an offense that is close to an insult. During the crises, the intellectual and moral qualifications of each party are important but not decisive; interests are more important. Moreover, the pride of those who feel hurt by an intellectual posture of someone who considers himself beyond good and evil (and who transmits this feeling of superiority) always makes negotiations difficult.

The president could not control things, underestimating the firmness of his interlocutors. On the other hand, his excellency was led to perform a function for which he is not prepared, the function of political coordinator. On assuming that role — he was not willing to designate a super minister like the late General Golbery do Couto e Silva — the president stripped two of his direct advisers exactly from the role that has always marked the work by the Justice Ministry and the Civilian Household of the Presidency: the role of political coordination. During civil governments, this task was closer to the Justice Ministry, and during military governments, it was closer to the Civilian Household. Lacking the ability to resolve administrative conflicts — and after voluntarily stripping the Justice Ministry and the chief of the Civilian Household of their traditional functions — the president started playing a game that he undoubtedly learned during his years in the Senate, and that has always been repugnant to him because of his education and character. Consequently, his performance, if not bad, was mediocre, and the result is the visible disaggregation of the government's political base in Congress. The result was not worse and more spectacular, just because of the patience with which the vice president — despite being a PFL member — has mended the tears on the republic's fabric.

The president made the reform of the economic order the specific mark of his administration. He worked hard for it, either out of belief or urged by the country's need for investment. However, he had to yield (or was pleased to do it?) to pressure that the establishment of state-run companies, and the nationalist-oligarchic sectors of Congress exerted in order to make the reforms leave everything unchanged. We are aware that this is a stern opinion. However, what else can we say if the laws regulating the constitutional amendments that were approved in the first half of the year have not yet been submitted to Congress (except for the amendment on domestic shipping, which will introduce minor changes)? What else can we say if — based on what is known about what will be done in the petroleum sector — there will be such tight control that investment in this sector will be made only by those who are sure that they will make rapid profits, without major risk? What else can we say if in the telecommunication sector — the apple of the eye of the government's advertising — there is a plan to limit the participation of foreign capital? This was done as if local investors could not evaluate the investment/profit ratio in concessions for periods that will be neither long enough to permit low rates, nor safe enough to prevent future retrogressions

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in case the nationalist-oligarchic sector overpowers the lukewarm attitude of social democrats.

It was only a dream to expect that men who were formed in a specific ideology, with a specific vision of the economic process and of the market role, should attempt — as soon as they assumed power — to change the sense of the life they lived and the fights they fought. What the left — even the AP [Popular Action], many of whose members are in the government — has called "the pact of the oligarchy for governing the country," remains valid in the social-democratic government; the old oligarchies were submitted or are still reluctant to die (that is the reason for the struggle against Senator Antonio Carlos Magalhaes). However, the bureaucratic sector replaced the "oligarchies" and the PSDB, the PFL.

Since the new oligarchy can no longer advocate direct privatization, they advocate "flexibilization," which is simply a form of government control on investments in areas considered strategic by the leading group. This position undoubtedly stems from the thoughts of some Armed Forces sectors, to which the president did not hesitate to indirectly resort to throughout this first year of government.

Roundup of Economic Reports Through 29 Dec

PY0301205596

[FBIS Editorial Report] The following is a compilation of reports on economic activities in Brazil monitored through 29 December.

BASIC LEADING INDICATORS

Income Figures — Only 779,995 heads of family, or 2.25 percent of those in Brazil, earn a monthly minimum salary above 2,000 reals, R, which is 20 times the R100 minimum wage. A total of 1,375,134 of them, some 3.96 percent, do not earn anything at all. Some 27,357,419 heads of family, 78.76 percent, receive up to three minimum wages or R300. Heads of family are those with the highest income in a household. FOLHA DE SAO PAULO calculates these income figures based on data from the 1991 Census carried out by the Brazilian Geography and Statistics Institute, IBGE. Given that the average amount of people per home in Brazil is 4.38 percent, it is correct to say that 127.9 million Brazilians live on less than R300 per month. Those 127.9 million people amount to 82.1 percent of the population which the IBGE estimated at 155.8 million in 1995. It calculates the demographic growth since 1991 at 6.8 percent. The IBGE said the GDP in 1994 was R355.6 billion, and the per capita income was R2,313. (Sao Paulo FOLHA DE SAO PAULO in Portuguese 25 Dec 95 Section 1 p 6)

Mining Companies Merge — Following many months of negotiations, the Eluma, Caraiba, Paranapanema, and Paraibuna mining companies merged on 22 December. A pool of pension funds headed by the Bank of Brazil pension fund, Previ, now owns one of the largest tin producers in the world, the only national copper producer, and the second largest zinc producer. The pension funds, which already control Eluma, are paying $300 million for the other companies. The merged companies will be called the Brazilian Non-Ferrous Metals Company, CBMNF, which has net assets amounting to R900 million and sales of R1.1 billion per year. It will invest R600 million over the next five years to increase its income by R1.8 billion. (Sao Paul GAZETA MERCANTIL in Portuguese 26 Dec 95 p A1)

Wholesales Increase — The wholesale commercial sector sold $33 billion worth of goods in 1995, 10 percent more than last year, according to estimates by Luis Antonio Tonin, president of the Brazilian Association of Wholesale and Distributors, ABAD. The first half of the year was more favorable, when companies sold 24 percent more than in 1994. He expects next year to be more difficult with a possible reduction of sales. He reported that the sector works with smaller stocks now, having dropped from 28 to 20 days. "We expect to reduce stocks to 14 days," Tonin said. (Sao Paulo O ESTADO DE SAO PAULO in Portuguese 27 Dec 95 p B4)

Investment Rate Figures — The investment or savings rate of Brazilian economy in comparison with the GDP has increased from 20.8 percent in 1994 to 22.5 percent in 1995. This was reported by the Applied Economic Research Institute, IPEA, that today released its December Situation Report. The IPEA poll director said investments should have increased by 5 percent annually as happened last year which means that they should have reached 26 percent of the GDP this year. Second, the increase was the result of foreign savings investments which jumped from 0.3 percent in 1994 to 2.5 percent this year. It is feared that such increase is mainly due to short-term capital which could leave the country anytime. The IPEA estimates the GDP during the first quarter of 1996 will grow only by 1.4 percent compared with the same period in 1995 when it increased by 10.1 percent. Although this shows the Brazilian economy has lost its initial intensity, it will continue to grow. The IPEA expects 4 percent growth in 1996. (Sao Paulo AGENCIA ESTADO in Portuguese 2040 GMT 28 Dec 95)

Inflation Figures — The Getulio Vargas Foundation, FGV, reports that the General Market Price Index, IGP-M, was 15.25 percent in 1995 — the lowest for the past 38 years. The FGV reported the following index results

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for December: Inflation dropped from 0.49 percent in November to 0.71 percent in December; the Wholesale Price Index, IPA, dropped from 1.41 percent in November to 0.20 percent in December; the Consumer Price Index, IPC, increased from 0.97 percent in November to 1.46 percent in December as consequence of a 3.11 percent increase in rents, 1,73 percent in health and personal care, and 1.37 percent increase in books and leisure. Food prices rose from November to December by only 0.68 percent, and transportation by 0.39 percent. Clothes prices dropped by 0.03 percent from November to December. The National Construction Cost Index, INCC, increased from 0.76 percent in November to 1.07 percent in December. (Sao Paulo AGENCIA ESTADO in Portuguese 2147 GMT 28 Dec 95)

FINANCIAL OPERATIONS

New Factory Planned — The Schaeffler Roller Bearing Company of Brazil, which belongs to the German INA holding, will invest $100 million over the next five years to build a new roller bearing factory and to expand its industrial activities in Sorocaba, Sao Paulo. The company has had a roller bearing factory in Sorocaba for the past 25 years. The new factory will produce an integrated line of roller bearings for cars, compressors, and self-balanced roller bearings for farm machines. (Sao Paulo AGENCIA ESTADO in Portuguese 2003 GMT 28 Dec 95)

FISCAL, MONETARY ISSUES

Credit-Granting Procedures Simplified — The Central Bank on 27 December released rules simplifying the procedures related to the Reciprocal Credit Agreement signed by Brazil, other Latin American countries, and Caribbean countries. The Central Bank will thus have more control over credit and debts. The rules do not, however, change relations between the Brazilian Central Bank and those of other countries that have signed the agreement. Central Bank Exchange Department experts say the rules — which will go into force on 2 January — represent savings for the Central Bank and the financial institutions. The rules will also reduce bureaucracy. (Sao Paulo AGENCIA ESTADO in Portuguese 2330 GMT 27 Dec 95)

Banespa, Banerj Trusteeship Extended — The Central Bank has extended the Special Regime of Temporary Administration, Raet, over the Sao Paulo State Bank, Banespa, and the Rio de Janeiro State Bank, Banerj, for one more year and can be extended for one more. Alkimar Moura, Central Bank director for Monetary Policy, said that the Federal Union, the Sao Paulo State Government, the Central Bank, and the National Bank for Economic and Social Development Bank are negotiating over Banespa. As to Banerj, the Raet has been extended for one more year, as contemplated in the contract signed with the Bozano, Simonsen Bank that won the bid to administer Banerj and prepare it for privatization at the end of 1996. (Sao Paulo AGENCIA ESTADO in Portuguese 2252 GMT 27 Dec 95)

HKSB Buys Shares of Bamerindus Bank — The Bamerindus Bank today announced it has sold 6.14 percent of its shares to the Midland Bank, which is subsidiary of the Hong Kong and Shanghai Banking Corporation, HKSB, for between $65 and $70 million. Bamerindus International Affairs Director Anthony Pain said a HKSB executive will join the Bamerindus international directorship in Sao Paulo and Brazilian employees will be able to train in any HKSB branch in the world. (Sao Paulo AGENCIA ESTADO in Portuguese 2134 GMT 27 Dec 95)

Bank of Brazil Registers Losses — This has been a hard year for the Bank of Brazil, BB. It closes 1995 with losses amounting to R4 billion, a 16 percent non-collectible debt rate, it had to raise nearly R2 billion to cover bad loans, and lost assets through the exchange rate. BB President Paulo Cesar Ximenez reports that the bank lost R1.1 billion alone as consequence of the difference between the exchange rate on its dollar assets and the domestic interest rate. Between November 1994 and October 1995 the bank has lost R3.1 billion for the mentioned reason. In March, the bank will begin testing its insurance sales capability in three cities. It intends to sell up to R240 million worth of insurances between July 1996 and June 1997. If it attains this goal, it will be the third largest insurance company in Brazil. On 21 December the BB closed a deal with the Sul Americana insurance company and on 22 December it purchased 49.9 percent of the shares. Ximenez said: "We will sell health insurance throughout the country, even in the interior." The retirement pension fund and the insurance sectors are the fastest growing markets in Brazil. Since the start of the Real Plan it has grown by nearly 64 percent. (Rio de Janeiro JORNAL DO BRASIL in Portuguese 27 Dec 95 p 11)

PRIVATIZATION

Sale of CEEE Shares approved — The Rio Grande Sul Legislative Assembly approved on 27 December the sale of 49 percent of the shares of the Electrical Energy State Company, CEEE, the state's largest public company. The CEEE is worth about R2.8 billion. The Rio Grande do Sul Government owns 99.8 percent of the CEEE shares. The CEEE has 9,800 active employees and 2,600 retired employees. (Sao Paulo AGENCIA ESTADO in Portuguese 2153 GMT 27 Dec 95)

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Roundup of Economic Reports Through 2 Jan

PY0401013996

[FBIS Editorial Report] The following is a compilation of reports on economic activities in Brazil monitored through 2 January.

BASIC LEADING INDICATORS

Farmers Suffer Record Loss — Roberto Rodrigues, president of the Brazilian Rural Association, SRB, has stated that Brazilian farmers experienced in 1995 the worst, deepest crisis since 1929. According to a study conducted by economist Fernando Homem de Mello, on cereal grains alone farmers lost about 10 percent of their annual harvest in 1995; that is, approximately $5 billion. Rodrigues said that if the marketing of oranges, sugar cane, coffee, and beef were included, the loss could climb much higher, perhaps to $10 billion; that is, somewhere near 20 percent of the GDP. The National Supply Company, Conab, has estimated that the recently sowed 1995-96 harvest will be 8.4 percent lower than that of the previous year. The estimated drop takes into account the prolonged drought that affected Brazil's southern states. The administration is prepared to deal with a shortage of cereal grains in 1996, because it has already stocked 15 million tonnes. Rodrigues said this amount is insufficient to counter the upward trend in prices that will certainly prevail in 1996. (Sao Paulo O ESTADO DE SAO PAULO in Portuguese 1 Jan 96 p B3)

Unemployment Drops in November — The Brazilian Institute of Geography and Statistics, IBGE, has reported that the open unemployment rate stood at 4.72 percent in November, which is lower than the 5.09 percent reported in October but higher than that of November 1994, when it stood at 4 percent. The decline in the number of job seekers is typical at this time of year because stores hire more people to handle their year-end sales. Unemployment in the industrial sector remained virtually unchanged: 6.65 percent in November and 6.62 percent in October, but it is much higher than that of November 1994 when it stood at 4.48 percent. IBGE reports that the number of people who are either unemployed or seeking a job declined by 7 percent from October to November. The sharpest drop occurred in Sao Paulo, 12.3 percent; followed by Belo Horizonte, 7.5 percent. (Sao Paulo AGENCIA ESTADO in Portuguese 2001 GMT 2 Jan 96)

FINANCIAL OPERATIONS

Petrobras Invests in Oil Production — The Brazilian Petroleum Corporation, Petrobras, has decided to invest $391.29 million in oil and natural gas production in Urucu, Amazonas State. Petrobras President Joel Renno conveyed the decision today to Mines and Energy Minister Raimundo Britto. The Urucu field is located in the district of Coari, 600 km from Manaus, and 500 km from Porto Velho. The additional investment is designed to increase production from 17,926 barrels daily to 43,700 barrels daily as of 1997 taking into account the energy shortage reported in the northern Brazilian region. (Sao Paulo AGENCIA ESTADO in Portuguese 1350 GMT 29 Dec 95)

FISCAL, MONETARY ISSUES

Rio de Janeiro Bank's Deficit Rises — Throughout 1995, during which it remained under the management of the Central Bank, the deficit of the Rio de Janeiro State Bank, Banerj, increassed from R1.347 billion to R1.7 billion. These figures are included in Banerj's balance sheet for the second half of 1995, which are yet to be officially published. (Rio de Janeiro O GLOBO in Portuguese 30 Dec 95 p 18)

States Join Fiscal Adjustment Program — Treasury Secretary Murilo Portugal today reported that four governors have already signed agreements with the Finance Ministry to implement fiscal adjustment programs in their respective states. In return, these states will be entitled to loans by the Federal Savings Bank to maintain the liquidity level of their administrations. The respective agreements have been signed by the governors of Mato Grosso, Piaui, Sergipe, and Rondonia. These agreements entail commitments to reduce spending on personnel, and on harvest financing, as well as to implement a privatization program. (Sao Pualo AGENCIA ESTADO in Portuguese 2140 GMT 29 Dec 95)

PRIVATIZATION

Bank Assumes Banerj's Management — The Bozano, Simonsen Bank today assumed the management of Banerj in an unprecedented move to prepare for the privatization of Banerj in a year from now. Central Bank President Gustavo Loyola has admitted that the procedure set up for privatizing Banerj could be applied to other state-owned institutions that are currently under a Special Temporary Administration Regime (Raet). (Sao Paulo AGENCIA ESTADO in Portuguese 2105 GMT 2 Jan 96)

Light To Be Privatized in March — The DIARIO OFICIAL DA UNIAO today published a BNDES resolution scheduling the auction of Light, Power Services, Inc. for 13 March at the Rio de Janeiro Stock Exchange. The resolution notes that 6.2 billion shares accounting for 60 percent of Light's working capital and for 73.52 percent of shares of Eletrobras, Brazilian Electric Power Company, Inc, will be auctioned. The minium price per lot of 1,000 shares will be R315.14. The overall minimum

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price of a lot of up to 7,000,273 shares will stand at R2.178 billion. Shares will be sold in two stages. Light employees will be offered 10 percent of the working capital from 18 January to 29 March at the price of R214 million. (Sao Paulo AGENCIA ESTADO in Portuguese 1517 GMT 2 Jan 96)

Privatization Proceeds Lower Than Expected — Privatization proceeds have amounted to only 25 percent of the expected revenues in 1995. Of the overall $4 billion in revenues predicted by Planning Minister Jose Serra, the adminstration raised only $1.004 billion through its privatization program. Acting Planning Minister Andra Calabi yesterday confirmed these figures to FOLHA. This has been the second consecutive year in which the privatization program yielded meager results: In 1994, during the last leg of the Itamar Franco administration, privatization proceeds totaled $619.6 million. In 1993, the Franco administration raised $3.03 billion through its privatization program. The Cardoso administation managed to sell its shares in only eight state-owned companies, instead of in the 17 state-owned companies it promised to privatize in 1995. (Sao Paulo FOLHA DE SAO PAULO in Portuguese 30 Dec 95 section 1 p 4)

TRADE ISSUES

Trade Deficit With Mercosur — The National Bank for Economic and Social Development, BNDES, has reported that Brazil had a $565 million deficit in its trade with its partners of the Common Market of the South, Mercosur, during the first half of 1995. The BNDES report notes that Brazil had a $246 million surplus only in its trade with Paraguay. It adds that Brazil's overall trade with its Mercosur partners totaled $6.8 billion — $3.1 billion in exports and $3.665 billion in imports — during the first half of 1995, compared to $4.4 billion reported during the same period in 1994. Brazil's overall trade with its Mercosur partners totaled $10.5 billion in 1994, which represented a 130 percent growth compared to that of 1991. (Sao Paulo O ESTADO DE SAO PAULO in Portuguese 2 Jan 96 p B2)

Tobacco Company Invests in Cuba — The Brazilian company Souza Cruz has set up the BrasCuba Cigarrillos Inc. in partnership with Uneta, Union of Cuban Tobacco Enterprises. Souza Cruz invested $10 million in a cigarette factory in Cuba that will start manufacturing cigarettes during the first quarter of 1996. Cigarettes bearing the brand names of Popular and Continental will be sold in Cuban special stores known as diplotiendas. By virtue of the agreement, Souza Cruz will transfer to the Cubans technology in raising Virginia type tobacco in Cuba. (Sao Paulo AGENCIA ESTADO in Portuguese 1628 GMT 2 Jan 96)

Chile

Figueroa Says Peru Knew of Chinchorro Project

PY0401162496 Santiago Television Nacional de Chile Imagen Internacional in Spanish 1000 GMT 4 Jan 96

[FBIS Translated Excerpt] The Chilean Foreign Ministry has confirmed that the Peruvian Government was aware of the paving of a 120-meter stretch of road in Chinchorro, Arica, and thus refuted the Peruvian authorities argument that they knew nothing about it. [passage omitted]

[Begin recording] [Chilean Interior Minister Carlos Figueroa] Talks were protracted. When I was foreign minister, I discussed the issue with the Peruvian foreign minister on various occasion. Foreign Minister Jose Miguel Insulza also discussed the subject on several occasions with the new Peruvian foreign minister. Therefore, I would say that every possible effort was made at this level. Now, then, the decision was made by the Arica city hall and a lawsuit has been filed against it before the Arica court. This is not a government decision. [passage omitted] [end recording]

The Peruvian Foreign Ministry, in turn, was upset. It, obviously, does not question Chile's right to exercise its sovereignty, but demands that the Peruvian state's property rights over this portion of territory purchased 60 years ago be respected.

Currently, this property — located in the middle of the city without any boundaries — has been crossed by projects such as the aforementioned highway. Some houses have even been built on this territory. Peru is protesting because, in its capacity as owner of the land, it should have at least been notified that the work was going to be done. [passage omitted]

The Chilean acting foreign minister said that this does not represent a diplomatic conflict between the two countries but rather a dispute over property between the Arica city hall and the Peruvian state that will be solved by the court.

Article Views Trade With Cuba; Economic Opening

PY0501113696 Santiago ESTRATEGIA in Spanish 4 Jan 96 p 23

[FBIS Translated Text] Cuba this year offers broad opportunities for Chilean entrepreneurs despite the island's population of only 10.6 million with a per capita income of $1260 (1994 figures).

Chile has organized a commercial mission that will visit the island between 8 and 11 January. The mission will be headed by Foreign Minister Jose Miguel Insulza,

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other government authorities, and 30 entrepreneurs representing the most diverse activities including real estate, energy, investment services, forestry, supermarkets, agro-industry, free trade zone, education, printing, and foreign trade advising.

Alberto Labbe, a Foreign Ministry International Economic Relations General Directorate official, said the entrepreneurs do not know much about the Cuban market and the visit will serve to start a process like that which followed the trip to Southeast Asia.

After a briefing on the Caribbean country's economic policies by their own authorities, entrepreneurs will get down to business and each Chilean entrepreneur will meet with a Cuban counterpart.

So advanced is the process that Alvaro Garcia, general manager of the National Oil Enterprise, expects to hold a number of meetings this week with Cuban authorities to discuss possibilities including consulting and associations in the field of hydrocarbons.

The Pole and Ingelco companies of the Cardoen group — which is involved in fruit growing and the production and trading of 30 million liters of juice — has already agreed to invest in the island. The shoe company Dolphin, in association with Cuba's Ministry of Light Industry, is already working on a project that contemplates investments worth $3 million.

Other Chilean companies will probably export to that country or establish plants there, particularly following the approval of the new Law on Foreign Investments, which among its main articles includes guarantees that companies will not be expropriated, unless it is a matter of national interest, and then only after fair compensation; the freedom to sell at any time; and the free transfer of profits and capital abroad.

The law does not establish a limit on the participation of foreign capital, but if it exceeds $10 million it requires Council of State approval. The law sets a period of 60 days to answer investment proposals and 30 days to register the company. The law also authorizes the creation of free trade zones, industrial centers, and investments in real estate.

A study by the Foreign Ministry America Directorate shows that trade between Chile and Cuba to October reached $15.3 million.

Of that total, $14.9 million (FOB) are Chilean exports to Cuba while $413,673 (CIF) are Chilean imports from the island. Among the most important Chilean products sent to Cuba are frozen mackerel, pates, bread, jam, tomato sauce, soup, and fish meal. Imports from Cuba include skin and other bird parts [las pieles y otras partes de aves], rum and sugar cane liquor, beauty elements, marble, and alabaster.

Trade until October already represents an increase compared to the entire 1994 when trade reached $15 million.

Escalona Proposes Integration Within Socialist Party

PY0401192796 Santiago EL MERCURIO in Spanish 3 Jan 96 p C2

[FBIS Translated Excerpt] The New Left [Nueva Izquierda] headed by Socialist Party [PS] President Camilo Escalona has submitted a new proposal for integration to the Megatrend [Megatendencia] and to the Third Force [tercerismo] for the definite organization of the national directive [directiva nacional].

The New Left, which won the PS internal elections held on 10 December 1995, has proposed to the Third Force, which is headed by former Interior Minister German Correa and former Presidency Under Secretary Ricardo Solari, two under secretariats.

It also proposed granting to the Megatrend (renewal sector), which is headed by Senator Ricardo Nunez and Labor Minister Jorge Arrate, a vice presidency and an under secretariat.

The proposal also includes a vice presidency and an under secretariat for the New Left, a trend that won the internal elections on reelecting Deputy Camilo Escalona as president of this group, and on attaining 16 members at the national level of the central committee and 21 members of the same organization at the regional level.

To conclude the integration of the board of directors, the central committee will be summoned to a meeting on 10 January, when the six pending vacancies will be filled: two vice presidencies and four under secretariats.

Before that, on 8 January, talks among the different PS trends will be intensified, and Megatrend, the faction that was defeated by the New Left, will meet that day to analyze the causes of its electoral failure and to outline its future strategy.

Deputy Camilo Escalona, who was reelected president of the PS; Deputy Isabel Allende, who was also reelected as first vice president; former deputy Carmen Lazo, as second vice president, and Doctor Edgardo Condeza as secretary general, were the ones who won the December internal elections.

Leaders of the New Left reported yesterday that Megatrend has not yet responded to the proposal because it is still waiting for the National Electoral Court to finish counting the vote of this socialist sector.

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Senator Ricardo Nunez, candidate for vice president of the Megatrend, was defeated by Camilo Escalona in the 10 December 1995 elections. Lawyer Osvaldo Andrade is the New Left candidate for another of the vice presidencies, while Luis Guzman, current organization secretary, is the candidate for under secretary. [passage omitted]

UDI Rejects Signing Electoral Agreement With RN

PY0401180996 Santiago EL MERCURIO in Spanish 3 Jan 96 p C4

[FBIS Translated Excerpt] The Independent Democratic Union [UDI] has rejected the request made by National Renewal [RN] to achieve an agreement that will allow them to join forces in the upcoming municipal elections.

According to UDI, such an agreement would be senseless if it is not achieved within the framework of a coalition of a programmatic nature that will effectively allow the center-right to become a true government alternative.

RN immediately criticized UDI's attitude, which it described as hasty and not very helpful for achieving unity.

UDI General Secretary Juan Antonio Coloma asserted that RN should have avoided the rupture of the Unity for Chile Pact and achieving an agreement over constitutional reform with the CPPD [Coalition of Parties for Democracy] if it believes that having separate lists in the municipal elections would have such a negative result.

Coloma said: "When one makes a decision, one does so after weighing all the consequences. One cannot deplore the decision and blame others for it afterward."

He remarked that UDI has the best of will to achieve an agreement with RN, but before that RN must cease to negotiate the constitutional reforms with the CPPD. Coloma said: "If they want a reunification, they must break with the CPPD and prioritize the Unity for Chile Pact agreements."

According to experts, center-right parties would lose about 70 city hall representatives if they participate in the elections using separate lists. Meanwhile, the two parties are preparing to participate in the elections in different political scenarios, that is, within the framework of an agreement and using independent lists. [passage omitted]

Senator Concerned About 'Disorders' in Political Situation

PY0401143596 Santiago EL MERCURIO in Spanish 30 Dec 95 p C2

[By Nieves Aravena]

[FBIS Translated Text] Osorno — (PDC) [Christian Democratic Party] Senator President Gabriel Valdes has expressed his concern over "certain disorders" affecting Santiago politics in view of the difficulties political parties are experiencing, the lack of unity and discipline of their members, and the opinion of their party leaders, which create tensions and undermine stability of political parties.

Valdes said it would be a positive sign if the majority of politicians are willing to vote on the constitutional draft bill in January, but he declined to discuss anything about a consensus. He said: "There is a heated and tumultuous atmosphere which I hope will subside after the New Year's festivities so that we may achieve agreements at least on some issues."

He said that it is unthinkable that a presidential initiative of this nature, which he described as "fair and necessary," would not succeed despite the vast support it has among the people.

Asked whether the "tumultous atmosphere" he is referring to alludes to the possible rupture of political agreements on constitutional reforms and human rights achieved by the administration and National Renewal [RN], Valdes said that sometimes the debate is centered on irresponsible comments made by some political party leaders which are disseminated by the media as if they were very serious.

Nevertheless, Valdes commented on the difficulties that some political parties are experiencing, which undermines their definitive stability. Tacitly alluding to conflicts within RN, some of whose senators do not accept compliance with the resolutions on constitutional reforms adopted by the RN General Council in Temuco, Valdes said: "Political parties, which are essential for democracy, require the unity, and discipline of their members, whether legislators or party members. In the end, all those who participate in these groups do so on a voluntary basis and their members must comply with what is decided by their leaders if it is a democratic decision."

Valdes said there are two important groups that grant stability to Chilean politics: the right, with its pact Union for Chile, and the CPPD [Coalition of Parties for Democracy]. Regarding the CPPD, he said that no new parties can join the party coalition because if

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this occurs, it would distort its purpose. He added that statements proposing otherwise "create tensions." He was thus alluding to eventual ties between the PS and the Communist Party.

Valdes, who chose Osorno to be the site of his last visit of 1995, described this as "an extraordinary year" for President Frei's administration, with political stability; good living standards; and good prospects regarding economic growth, inflation, and the implementation of social programs.

PDC, UDI Criticize Communist Party Head's Proposal

PY0401143396 Santiago EL MERCURIO in Spanish 3 Jan 96 p C4

[FBIS Translated Text] Deputy Jorge Pizarro, acting president of the Christian Democratic Party [PDC], called "very negative" the call by Communist Party Secretary General Gladys Marin, who, on the first day of the year, announced that her party will promote social mobilization in a more challenging manner.

Marin said that this social struggle will adopt several forms of protest, which implies people taking to the streets, strikes, blocking roads, and occupying certain offices, as happened with the mining company of El Abra, Second Region.

Upon terming these proposals negative, Pizarro said that the call to take to the streets, to adopt a violent stance, and to exert illegal pressure is not good for the country, and it is not appropriate for the climate of understanding and dialogue that must prevail within the Chilean society.

Pizarro added that this is clearly a call to a misinterpreted violence which, in the long run, will more adversely affect the workers and the poor.

He said he did not think this was the appropriate method to make a proposal of a union, social, or political nature. On the contrary, most Chileans reject violence or the call to violence.

The Independent Democratic Union [UDI] of the center-right also agreed with this view and said that Marin's call is the "quintessence of communism."

The UDI believes that such warning complies with the PCCH traditional concept of politics as an activity of confrontation, violence, and conflict.

UDI Deputy Andres Chadwick said: "What Mrs. Gladys Marin said is the quintessence of communism, because what she is saying to the country is that the PCCH, upon assuming power, would conduct protest demonstrations. That is, it would generate public disorder."

According to Chadwick, this announcement can be explained by the fact that the communists do not know how to attain their demands and proposals through democratic means, being forced, as a result, to resort to this type of activity. "Such is the history of the PCCH; the party is also like that today, and it shows that they have never learned anything," he said.

According to the UDI, it is the government that must react to this type of threat and adopt the appropriate legal measures.

The center-rightist party has interpreted the PCCH announcement as a response to the ideas of Socialist Party (PS) President Camilo Escalona to establish an instrumental pact with the PCCH.

That is, the UDI believes that with this "threat," the PCCH makes it clear that such an alliance will not consist only of an instrumental action with electoral purposes, but constitute a programmatic pact.

Last week, the PS president said that within the coalition there is a pending discussion on an instrumental pact with the PC for the 1997 congressional elections.

Air Force To Launch Satellite in August 1996

PY0401224796 Santiago EL MERCURIO in Spanish 30 Dec 95 p C4

[Report by Juan Godoy]

[FBIS Translated Tex Antofagasta — General Fernando Rojas Vender, commander in chief of the Chilean Air Force, FACH, has confirmed here that Chile will put into orbit a new satellite in August 1996. He noted that Ukraine is the first choice for the launch site.

He said this at the end of the ceremony to activate the 5th Air Brigade base in Cerro Moreno, 20 km north of Antofagasta.

The new brigade, which comprises the Seventh and Eighth Groups, the Antiaircraft Defense Group No. 21, and the Communication Group No. 31, is commanded by Brigadier General Ettore Rossi Zerega.

Commenting on the new satellite, Rojas stated that Chile will launch a satellite in the second half of 1996. He added that the satellite is being built in the United Kingdom.

He said the FACH is currently analyzing the place from where the satellite will be launched. He noted that this is not an easy task because one must wait for the appropriate time to put the satellite into "a special polar orbit."

He explained that the satellite will be put into orbit in early August 1996 as soon as a launcher is available. He

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noted that the Ukraine is the best choice for launching the satellite.

Air Force Commander Comments on Continental Glacier Base

PY0501001996 Santiago EL MERCURIO in Spanish 3 Jan 96 p C5

[FBIS Translated Text] Air Force Commander General Fernando Rojas Vender did not discard yesterday the possibility of summoning the National Security Council (Cosena) to study the Campo de Hielo Sur glacier once the map of the zone being prepared by the Military Geographic Institute is completed.

Gen. Rojas Vender said: "Cosena is a constitutional choice that could be summoned. I believe it is still quite premature to do so because the map and some background are not yet available."

He said this yesterday at the Armed Forces building after meeting with National Renewal Deputies Maximiano Errazuriz, Carlos Ignacio Kuschel, and Valentin Solis, all members of the Argentine-Chilean bilateral group that visited the zone early last year.

The congressmen met with Gen. Rojas Vender as part of a series of visits to the eight members of Cosena to convince at least two of them to summon a special meeting of Cosena, which is the highest advisory organization of the president, to study the new background available on the border issue.

The new background include the detailed map at a scale of 1:50 mm being drawn by the Military Geographic Institute, which will probably be concluded by the midle of this year.

So far all border discussions on this issue, including the 1991 agreement signed by President Carlos Menem and ex-President Patricio Aylwin, which has yet to be ratified by the Congress of either country, have been made on the basis of the map made by Argentina.

Gen. Rojas Vender said the RN deputies who met with him yesterday are very concerned about the consequences the approval of the 1991 treaty, which divides the territory in two equal parts, would have on Chile.

According to the explanations given by the RN deputies and based on the Argentine map, if the treaty is approved it would establish that the snow drift in the zones called Escondida lagoon and Dixon Lake, 5 and 13 km from the ocean respectively, are Argentine, and that if the snow drifts melt, it would give Argentina an outlet to the Pacific Ocean very soon.

Based on this fact, Deputy Kuschel noted the need to finish the map of the Campo de Hielo Sur glacier to have a real perspective of the zone, because Argentine maps used so far in all the negotiations do not show the closeness of the Pacific Ocean.

Gen. Rojas Vender also referred to the "Hielo Azul" operation being carried by the Air Force north of the zone in conflict to train air and support personnel in frozen territory, to get to know the zone better, and to carry out weather and glaciological studies.

He said: "In Chile there are many territories with ice, not only in the Antarctic, and this is why it is necessary to learn how to operate in them."

He said Argentina must not worry about the air exercises because all operations will be made in Chilean territory.

According to an AP report from Buenos Aires, the Argentine Government said last night it expects "details" from Chile on the location of the air base in the zone of the continental glaciers, which is how the Argentines identify this region under dispute between the two countries.

The DYN news agency also reported that an Argentine Foreign Ministry source said officials are expecting "details" on the construction of the air base.

Appointment of Ambassador to Australia Approved

PY0301225096 Santiago EL MERCURIO in Spanish 29 Dec 95 p C3

[FBIS Translated Excerpt] The Australian Government has agreed to the appointment of Jorge Tarud as the Chilean extraordinary and plenipotentiary ambassador to Australia.

Tarud will replace career diplomat Fernando Zegers.

Tarud currently heads the international relations department of the Party for Democracy. Under Patricio Aylwin's administration he served in Saudi Arabia as concurrent Chilean ambassador to the countries that comprise the Gulf Cooperation Council. [passage omitted]

Colombia

Police Director Reacts to DEA Official's Statements

PA0501015396 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 5 Jan 96

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] [Station announcer Maria Cristina Uribe] DEA official James Mildford granted a news conference today in the United States to say that Miami is now the main headquarters of the Cali Cartel:

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[Begin unidentified reporter recording] DEA director in Miami James Mildford issued strong statements. He said that the headquarters of the Cali Cartel is located in Miami. The most senior members of the Cali Cartel continue to operate in Miami. These individuals have operated here in the past and continue to do so at present. They are the ones who actually control the import and distribution of cocaine. A good portion of the revenues return to South America to the Cali mafia.

He added: I am not in any way referring to Guillermo Pallomari. These are independent investigations conducted not only by the DEA but also by other agencies throughout the country. The cartel has many persons, not only in Miami, but persons in high places who stay in the city for short and long times and who move about everywhere. [end recording]

[Unidentified reporter] Meanwhile in Colombia, during a news conference National Police Director General Rosso Jose Serrano has denied that the Cali Cartel is reorganizing with a new base in Miami. Serrano noted that the opinions of the DEA official are absolutely personal:

[Begin Serrano recording] I think that those are the opinions of a single person. I read and learned about this through the press and international newscast. I do not think that this is an official statement. [end recording]

'Capo's' Sister Rafaela Suffers Thrombosis After Arrest

PA0501031996 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 5 Jan 96

[Report by anchorperson Maria Cristina Uribe and reporter Soraya Yanine; from the "Seven O'Clock Newscast" — passages within quotation marks recorded]

[FBIS Translated Text] [Uribe] Rafaela Rodriguez Orejuela, oldest sister of Miguel and Gilberto Rodriguez Orejuela, was arrested by the Dijin [Judicial and Investigative Police Directorate] at a luxury apartment located north of Santa Fe de Bogota. She was accompanied by Rita Orejuela de Rodriguez, her mother, and Marta Lucia Echeverry, former beauty queen and Miguel Rodriguez Orejuela's wife. When the Police arrived Rafaela identified herself with another name and, until the last minute, denied she was the person that the authorities sought for illegal enrichment and acting as a figurehead.

[Yanine] Rafaela Rodriguez Orejuela, who was arrested by the Search Block last night at this residence in northern Santa Fe de Bogota, was transferred to Cali this afternoon and turned over to the regional prosecutor's office.

Rafaela Rodriguez is the sister of Cali Cartel leaders Gilberto and Miguel Rodriguez Orejuela. According to the authorities, she is very ill and her condition is critical. She seems to have suffered a thrombosis at the Dijin's facilities so she needed medical tests and to be admitted at a Cali clinic. The arrest warrant issued by the prosecutor's office was issued in September 1995, for the alleged crime of illegal enrichment.

[Police Director General Rosso Jose Serrano] "At the time of her arrest she did not present the appropriate identification card with her name. Instead, she identified herself as Laura Cabal Libreros."

[Yanine] Various security agencies have been on her trail for many months through various cities in the country. At the time of her arrest Rafaela Rodriguez was with one of her daughters and with Marta Lucia Echeverry, Miguel Rodriguez' wife, and the capo's mother.

According to this organization chart prepared by the authorities, Rafaela was seventh in the organization's command.

[Assistant Police Director General Luis Montenegro] "About a year ago we found some documents, business transactions, in which she was featured as the main shareholder of La Rebaja Watch Shop and Mijin Distributing Company."

The Search Bloc is on the trail of her husband, Luis Alfonso Maquillon, against whom the prosecutor's office has also issued an arrest warrant.

Envoys to Chile, Korea, Panama Reportedly To Be Replaced

PA0401184196 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 4 Jan 96

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] There is a shakeup going on in Colombian embassies the world over. Ambassadors with more than three or four years of service will be replaced following the decision by President Ernesto Samper and Foreign Minister Rodrigo Pardo.

It has been learned that for the time being those leaving include the ambassador to Chile, Jose Mario Eastman; Korea, Miguel Duran; Panama, Alfonso Araujo; and Peru, Rafael Ariza.

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Ramiro Bejarano, who is to resign from the DAS [Administrative Department of Security], will be appointed ambassador to Austria and former Justice Minister Nestor Humberto Martinez as ambassador to France.

It is not known whether the polemical ambassador in Brussels, Carlos Arturo Marulanda, will be ousted in this shakeup. He has been ambassador there for about seven years. It also is not known whether current ambassador to Mexico Gustavo de Greiff will be included.

FARC Front Downs Police Airplane; Minister Comments

PA0401161096 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 4 Jan 96

[Report by Soraya Yenine from the "Seven O'Clock Newscast"]

[FBIS Translated Text] Bazooka fire from FARC [Revolutionary Armed Forces of Colombia] guerrillas today destroyed a small police airplane that had just arrived in Unguia, Choco Department.

At 1130, just as a small police airplane with registry No. BNC-292 was attempting to land in Unguia Municipality it was harassed by shots from the FARC's 58th Front. Miraculously, the airplane's pilot, Captain Juan Carlos Avila, managed to land at the airport and dodge the guerrilla siege; nevertheless, a rocket was fired minutes later from the mountains, completely destroying the aircraft after the passengers and crew had already disembarked:

[Begin Defense Minister Juan Carlos Esguerra recording] After it had landed in Unguia, it was hit by a rocket the guerrillas fired from a hill, not very close but not all that distant from where the airplane was, and it simply destroyed it. [end recording]

The small airplane had carried two doctors and one warehouse man who was to deliver to the area's policemen Christmas bonuses as well as food and supplies.

The defense minister has said this guerrilla attack was a very serious one because of the type of armament used to down Public Force airplanes:

[Begin Esguerra recording] This attack demonstrates that they have a capability that is very worrisome as far as artillery is concerned. In addition, they must be well-off economically in order to make such expenditures. [end recording]

Interior Minister Comments on Self-Defense Groups

PA0401155196 Santa Fe de Bogota Radio Cadena Nacional in Spanish 1200 GMT 3 Jan 96

[Interview with Interior Minister Horacio Serpa Uribe by unidentified reporter at the studio; from the "RCN Radio Events" newscast — live]

[FBIS Translated Text] [Reporter] Our guest today is Interior Minister Horacio Serpa Uribe, who is involved at the beginning of the year in an important issue dealing with peace.

There is a possibility of opening a direct dialogue with the so-called self-defense groups; basically, what are the plans, Mr. Minister?

[Serpa] The self-defense groups, also known as paramilitary groups, represent another phenomenon that generates violence in Colombia. This phenomenon consists of armed, criminal groups that operate outside the law. We must look into the problem and try to solve it. The state must be the only one to use weapons. Self-defense groups in Uraba and Cordoba Departments at the end of last year sent a note to the government stating their interest in discussing the possibility of complying with the authorities and the law. We have analyzed the situation and believe it is a very interesting proposal, of great importance for the country. We have announced we will hold talks in order to create the conditions for a dialogue.

[Reporter] Those self-defense groups claim they were created years ago due to the lack of state action in areas where guerrillas have operated. How is the problem between the guerrillas and those groups going to be handled?

[Serpa] They have said in their note they are willing to reconsider their struggle on the basis that the state will assume the responsibility for the security in the areas where they operate. This responsibility is definitely a state one, and, therefore, the talks and efforts must be based on that premise. The president also has demonstrated a willingness to reach a peace agreement with the guerrillas, but, unfortunately, there has been no positive reply, and they are maintaining their position. We must see if conditions are created in the future to take steps toward that objective.

[Reporter] It is said an agreement with the self-defense groups would not include atrocities committed by its members who participated in massacres. What would happen in the case of Fidel Castano, who is believed to be the chief of the self-defense groups in Cordoba?

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[Serpa] We will analyze this issue as the case may be. I must note, however, that at no time when agreements have been reached have atrocious crimes in Colombia been given any political or legal consideration; this has not been the case when agreements have been reached with the guerrillas, and it will not be the case now, because those actions are beyond any possibility of acceptance by society. This factor is one of the main ones to be considered, which, I repeat, pertains to circumstances and actions that have been analyzed in the past.

[Reporter] Has a site been chosen for the talks? Will there be a deadline, or will the talks continue indefinitely in a sort of wearing down operation, as occurred in talks with the guerrillas in Caracas and Mexico City?

[Serpa] No, we have not defined anything yet. We have only expressed our political willingness to hold talks, because we believe they can be useful for the country. We will create the necessary conditions based on past experience in order to avoid mistakes and to prevent this situation from developing into circumstances that will work against the achievement of security and calm in Colombia.

[Reporter] Guerrillas have said they do not want their ideology— although they do not have any at this time— compared to the struggle the paramilitary groups have carried out or any participation in the dialogue with the paramilitary or self-defense groups. What will be done to differentiate between both groups to prevent an even worse reaction from the guerrillas?

[Serpa] Both the guerrillas and self-defense groups are phenomenons of armed groups of criminals who operate outside the law. There also are substantial differences. The self-defense groups have not rebelled against the state or the political system; therefore, the Office of the High Commissioner for Peace will continue to handle matters regarding the guerrillas.

Peace contacts at this time are beginning with the Jaime Bateman Cayon Group in the southwestern region. Meanwhile, the Interior Ministry will be in charge of matters regarding self-defense groups, as decided by President Samper.

Regarding the guerrilla groups, I would like to say the president has said in his new year message his government will continue seeking peace through other means. Among other things, he has announced the holding of dialogues in 32 cities in the country to seek agreements for better coexistence. He has said pedagogic policies will be applied to encourage understanding, reconciliation, and social policies tailored to the peace process. Meanwhile, we in the Interior Ministry will work with the phenomenon of the self-defense groups, which is very complex and has spread throughout the country. Our intention is to overcome this problem just as the government is trying to overcome the guerrilla issue.

[Reporter] Beyond the emotional aspect of carrying out a dialogue and peace efforts and under the premise that self-defense groups have emerged as a result of the guerrillas, how will you get to the core of the problem? Paramilitary groups claim they are here because the guerrillas exist.

[Serpa] No one will be able to justify activities for private justice, surveillance, or protection if the state assumes full responsibility for guaranteeing security, because the Army, police, Navy, and DAS [Administrative Department of Security] will be there fulfilling the state's role of providing security and maintaining calm among Colombians.

[Reporter] Would an agreement implicitly convey a direct attack against subversive groups?

[Serpa] The state is in that position, confronting subversive groups, which are criminal movements that are hurting Colombia.

[Reporter] Does the state really have the means to confront the guerrilla groups that are destroying Colombia's countryside and were the reason why the self-defense groups were created?

[Serpa] The government is doing so. The police are better trained and equipped now. The number of forces has increased, and they can carry out their work more effectively. We saw the results by the end of the year. There were some skirmishes and certain serious actions committed by the guerrillas, such as the [words indistinct] cases. There were activities of prevention and surveillance. There also were activities to repel those attacks, and, finally, the public order situation did not deteriorate too much contrary to what many predicted.

[Reporter] If there is no pardon or amnesty, what would be the legal way to demobilize the self-defense groups through dialogue?

[Serpa] First, we can hold talks with the self-defense groups, because it is permitted by Law No. 104 of 1993. Congress expanded this law and extended its implementation in December. Second, there are general guidelines in surrogate penal laws [derecho penal subrogado] and legal benefits. If this were not enough—and there are good possibilities of achieving peace through the talks—we would agree to ask Congress for authorization or request benefits or facilities that will enable the self-defense groups to abide by the law.

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[Reporter] Will you personally meet with the leaders of the self-defense groups?

[Serpa] I would if necessary. I will direct the process in any event.

[Reporter] Were there many goals against the government last year, at least in Congress [words indistinct]?

[Serpa] Our situation in Congress was good. We talked with congressmen a great deal. I have a very good opinion of Congress. Congress is generally stigmatized. There are many good people in congress, many good ideas. Good [word indistinct] are developed, and conclusions are reached for the benefit of the country, but the wrong things are exaggerated. We have been working, and I believe things that were not convenient were rejected in the end, and many favorable solutions for the country were approved.

[Reporter] Nonetheless, the [words indistinct] was almost approved.

[Serpa] Yes, but the Chamber of Representatives worked hard at that, and we must give credit to the members of Congress. They finally rejected it. Let us hope they will uphold the defense of the government in order to [words indistinct].

[Reporter] The Colombian Government has decided to call for talks with the self-defense groups to see whether these groups will comply with the law and Colombians can live in peace.

Mr. Minister, what lies in store for Colombians in 1996, following the scandals of 1995 about drug money linked to political campaigns? Will President Samper continue to rule?

[Serpa] Yes, the president feels very confident and firm in his position. Most of last year's problems have been solved.

Economic Costs of Insurgency Studied

96SM0045A Santa Fe de Bogota EL ESPECTADOR in Spanish 27 Dec 95 p 1B

[FBIS Translated Text] Santa Fe de Bogota—Guerrilla violence is costing Colombia over 2.5 billion pesos per year.

This sum exceeds the health, education, and defense budgets.

Between 1990 and 1994, the activities of the armed insurgents cost the country 12.5 billion pesos.

These figures, which have proven dramatic compared with the meager growth of the economy, were revealed by the National Planning Department yesterday.

The 12.5 billion pesos lost are equivalent to 22.7 percent of the value of production in 1995, and close to the balance of the national public foreign debt.

A total of 55 percent of the costs incurred between 1990 and 1994, approximately 7 billion pesos, is associated with the loss of human resources due to the death of 17,000 men, women, and children.

Added to this number are the persons excluded from productive activity because they are armed against the state.

According to the analysis, the political violence that has shaken the country for the past four decades left 3,400 deaths annually between 1990 and 1994, and 2.5 billion pesos in annual costs attributable to the conflict.

The total cost for the public sector between 1990 and 1994 was approximately 4 billion pesos for additional spending on defense, protection of the petroleum sector, and royalties lost as a result of attacks on the hydrocarbon network.

Meanwhile, for the private sector the costs totaled 1.4 billion pesos, including over 800 million as a result of kidnappings, extortion, and robberies.

Guerrilla Boom

There are three large guerrilla groups operating in Colombia, with over 10,000 armed men, who are active in most of Colombian territory, engaged in seizing towns, sabotaging hydrocarbon transport lines, and stealing livestock.

The local guerrilla movement, the oldest in Latin America, operates in regions which derive their wealth from exploitation of natural resources, such as coal and petroleum. Recently, it has been operating in regions producing coffee, one of the leading export items.

A high-ranking planning official remarked: "Not only does a person killed in the armed conflict stop producing, but a period of years in which labor is a priority for generating wealth is lost as well."

He explained that the period from 1990 to 1994 was studied because it was during that interval that more reliable statistics were recorded on the effects of the guerrilla violence on the economy.

He indicated that there are no known comparisons with internal conflicts in other countries, such as the Central American countries or Ireland, but maintained that Colombia's case is a dramatic one.

During the past 30 years, the FARC [Revolutionary Armed Forces of Colombia] and the ELN [Army of National Liberation] have experienced deepseated

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changes in their political-military strategy and their internal organization.

They also have grown significantly in numbers of forces. It is estimated that there are 10,391 guerrilla fighters in the country, of which number 6,966 belong to the FARC, 2,710 to the ELN, and 715 to the EPL [People's Liberation Army].

The spending on defense to deal with the guerrilla movement amounts to over half a billion pesos each year. In 1994, it rose to slightly over a billion pesos.

Cost of the Armed Conflict, 1990-1994 (in millions of 1995 pesos and percentages)

	1990	1991	1992	1993	1994	Total
Public spending						
Defense sector	515.007	445.635	667.227	1,089.344	698.775	2,415.988
Petroleum sector	123.427	152.698	138.421	52.673	47.54	514.759
Royalties not collected	21.664	25.631	26.862	10.066	9.759	93.982
Other expenses	4.724	29.839	10.088	14.079	13.362	72.092
Total public spending	664.822	653.803	842.598	1,166.162	769.436	4,096.821
As percentage of total cost	29	24	32	43	35	33
Private spending						
Kidnapping, robbery, extortion	ND	161.562	161.908	179.951	307.139	810.65
Petroleum sector	93.238	112.336	102.551	45.337	41.865	395.327
Others	35.875	48.688	74.141	72.441	57.285	288.43
Total private spending	129.113	322.586	338.6	297.729	406.289	1,494.317
As percentage of total cost	6	12	13	11	19	12
Human resources	1,488.630	1,721.307	1,435.858	1,229.425	1,003.842	6,879.062
As percentage of total cost	65	64	55	46	46	55
Total cost	2,282.565	2,697.696	2,617.056	2,693.316	2,179.567	12,470.200
Total cost as percentage of GDP	4	4.1	4.40	4.40	3.40	

Source: National Planning

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Ecuador

MOMEP Releases Communique on Situation at Border Region

PY0501003396 Quito Voz de Los Andes in Spanish 2300 GMT 4 Jan 96

[FBIS Translated Text] The members of the MOMEP [Ecuador-Peru Military Observers Mission] held a confidential meeting this afternoon with ambassadors of the guarantor countries of the Rio de Janeiro Protocol — Chile, Brazil, Argentina, and the United States — seeking to release an official communique on what is happening in the Upper Cenepa River region. The communique says the situation in this region is absolutely normal. The communique also says that during January and February, the MOMEP will intensify its presence in the Upper Cenepa River region.

General Francisco Roberto de Albuquerque, current MOMEP coordinator in Ecuador, also announced that the generals of the MOMEP will meet in Lima on 15 and 16 January. Here is the official communique disclosed in Quito this afternoon.

[Begin Albuquerque recording] The public is hereby informed that in Quito on 4 January 1996, the MOMEP met with ambassadors of the guarantor countries to report on the current situation in the Upper Cenepa River region, and on the activities the MOMEP will carry out during January, and February of this year.

An environment of complete normality exists in the Upper Cenepa River region as result of the efforts by the parties to fulfill the agreements included in the security regulation for achieving stable and lasting peace.

During January and February, the MOMEP will intensity its presence in the Upper Cenepa River region in accordance with the definition of procedures of the MOMEP, and in accordance with the Itamaraty Peace Declaration.

The MOMEP will continue to carry out the process to integrate the parties in the activities of verification. Also four new military observers, two Ecuadorans and two Peruvians, will join MOMEP as of 17 January. This integration will contribute to strengthening the presence of the parties in MOMEP during this important period.

There are also plans to have the Superior Consultative Committee hold a meeting on 15 and 16 January of this year. The meeting will be held in Lima, Peru. I would like to say it is a satisfaction for me to hold this meeting with you. [end recording]

Brigade Commander Says No Developments at Border Region

PY0501010396 Quito Voz de Los Andes in Spanish 2300 GMT 4 Jan 96

[FBIS Translated Text] Colonel (Alfredo Fiayos), commander of the 17th Pastaza Brigade, said today that Ecuador should not pay any attention to press speculation from Peru, which only seeks to destabilize the peace process between Ecuador and Peru.

He said there are no developments at the border region of this jurisdiction, therefore any rumor against our country only seeks to create military provocation.

Colonel (Fiayos) also pointed out that the military watch in the southern and central border areas of the eastern region is permanent. He said our soldiers are alert to any situation that may develop. He added that his brigade carries out routine flights to the military detachments in the Pastaza border region and part of (Morona Santiago).

Regarding the purchase of four Kfir fighters by Ecuador, he said the negotiations for their purchase were made long before the military conflict. Therefore, he said, there is no justification in trying to prevent such a purchase with the pretext that it will obstruct the negotiation process.

Army Chief Inspects Military Operations at Border

PY0401190196 Madrid EFE in Spanish 1704 GMT 4 Jan 96

[FBIS Translated Excerpt] Quito, 4 Jan (EFE) — It was learned today that Ecuadoran Army Chief Paco Moncayo on 3 January visited the installations in Patuca, in the Amazon region which served as the Ecuadoran military operations center during the war with Peru last year.

Army Command sources told EFE: "The general yesterday travelled to Macas and Patuca and returned to Quito today." The sources declined, however, to explain the reason for Moncayo's visit.

Nevertheless, the Guayaquil newspaper EXPRESO reported today that Moncayo on 3 January "toured border garrisons and personally inspected the normal development of military activities."

Moncayo's visit comes at a time when Peru and Ecuador are accusing each other of an arms race and of mobilizing troops to the border, all of which have been officially denied by both countries. [passage omitted]

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Foreign Minister Meets Israeli Ambassador Over Kfir Deal

PY0401204696 Madrid EFE in Spanish 1840 GMT 4 Jan 96

[FBIS Translated Text] Quito, 4 Jan (EFE) — Ecuadoran Foreign Minister Galo Leoro met today with Israeli Ambassador Medad Medina to study the controversial process for the purchase of four Israeli-made fighters.

Leoro, who did not elaborate on the meeting with Medina, insisted that the process for the purchase of the four "Kfir" fighters, which have U.S.-made engines, is "serious." He labeled as "press speculation" the alleged postponement of the transaction.

Leoro said: "I believe the situation the way it has developed is not abnormal," referring to the deal to replace unserviceable planes. He justified the normality of the process by saying that if it were abnormal, Israel would not have agreed to sell the fighter bombers, and the United States would not have approved it.

Leoro said: "All the political and military aspects were taken into account" for the purchase of the "Kfir" fighters. He asserted that "the current process will not change" because "there are no elements of judgment that can change that decision."

Ecuadoran Deputy Foreign Minister Marcelo Fernandez de Cordova said the military situation at the border region is "completely normal." He expressed confidence in the actions of the Ecuador-Peru Military Observers Mission (MOMEP).

The MOMEP comprises military officers from Argentina, Brazil, Chile, and the United States — the guarantor countries of the 1942 Rio de Janeiro Protocol that established the border between Ecuador and Peru.

He said: "The guarantor countries have given such positive help to the two countries in the peace process and we have taken great steps since February" at the end of the undeclared war between Ecuador and Peru that started on 26 January 1995.

Fernandez de Cordova concluded by saying: "I see no reason for alarm, efficient work is being carried out and the MOMEP is making a serious effort for peace."

Congress To Impeach Industry, Commerce Minister

PY0401183196 Quito Voz de Los Andes in Spanish 1700 GMT 4 Jan 96

[FBIS Translated Text] The Ecuadoran Congress will impeach Jose Vicente Maldonado, industry and commerce minister, for the alleged embezzlement of discretionary funds of the presidency of the Republic.

This was asserted by Luis Almeida, president of the congressional committee for civil and criminal affairs.

Almeida, who will be the accusing deputy in the impeachment process, said that this committee has officially requested Maldonado's impeachment, with a motion of censure. Maldonado was investigated for the use of discretionary funds of the presidency when he was public administration secretary general during the first months of the current administration.

Paraguay

New Economy, Integration Vice Minister Installed

PY0401172896 Asuncion NOTICIAS in Spanish 3 Jan 96 p 19

[FBIS Translated Excerpt] Jose Ernesto Buttner Limprich assumed the post of the Finance Ministry vice minister of economy and integration on 2 January. This post was occupied by Hermes Gomez Ginard, who has now been appointed president of the Central Bank.

The naming of this technician to occupy the aforementioned under secretariat shows a change in government policy, which now gives preeminence to the technical training and not, as in previous times, to the person's political actions. It must also be pointed out that the new vice minister is very young; he is 34 years old and did his postgraduate studies abroad.

The ceremony took place at the Finance Ministry in the presence of the directors, Finance Minister Orlando Bareiro, and the previous vice minister. [passage omitted]

Peru

Fujimori: No Confirmation on Kfir Plane Delivery to Ecuador

PY0501104896 Madrid EFE in Spanish 0212 GMT 5 Jan 96

[FBIS Translated Excerpt] Lima, 4 Jan (EFE) — Peruvian President Alberto Fujimori stated today in Lima that his government has not received any official confirmation from Israel that the delivery of the fighter-bombers sold to Ecuador has been delayed.

Today's Lima newspapers reported that Israeli Prime Minister Shim'on Peres will reportedly decide today on the delivery of the four "Kfir" planes purchased by Ecuador, whether it will be postponed or not.

The newspapers state that the Israeli Government will decide if the postponement of the operation will affect the process of pacification and the normalization of

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relations between Peru and Ecuador, which waged an undeclared war between 26 January and 28 February 1995 over a border conflict.

Referring to said reports, Fujimori today said: "They are only journalistic reports, we have not received official confirmation."

The Israeli Government announced today that it will decide at any moment on the delivery or not of the fighter bombers to Ecuador, notwithstanding protests by Peru which asked Israeli officials to cancel the operation which amounts to some $40 million. [passage on previously covered material omitted]

Gen. Hermoza Notes Military Role in Safeguarding Territory

PY0501024696 Lima America Television Network in Spanish 0100 GMT in Spanish 5 Jan 96

[FBIS Translated Text] Army Commander General Nicolas de Bari Hermoza Rios said today that the Armed Forces are in permanent state of alert to safeguard the integrity of our territory without disregarding the pacifist position advocated by the Peruvian Government.

He made this comment after installing General Ronald Rueda Benavides as the new commander of the Third Military Region in Arequipa.

[Begin recording] [Unidentified reporter] After the military ceremony in which General Ronald Rueda Benavides was installed as the new commander of the Third Military Region, General Nicolas de Bari Hermoza Rios agreed to talk with reporters. He disclosed the pacifist mission of the Peruvian Government. He also pointed out the permanent state of alert of our Armed Forces due to the problems in the northern and southern borders of our territory.

[Hermoza] I believe all countries are permanently involved in the task of modernization and the recovery of its operational capabilities and not in an arms race. The purpose of the Peruvian Armed Forces and Government is to maintain that operational capability, not enter an arms race because the focus of the administration of President Alberto Fujimori is to give first priority to economic and social development, that is carry out an all-out fight against poverty.

[Reporter] That would be necessary for what is happening in the northern and southern borders.

[Hermoza] Yes, this is an inherent responsibility, therefore you must have full confidence in your Armed Forces and in your government, which is not unconcerned about issues related to our sovereignty.

[Reporter] Regarding the government responsibility to equip the Armed Forces, Gen. Hermoza announced that subversive elements are taking refuge outside the country because the work of national intelligence makes the action of extremist groups in our country extremely difficult.

[Hermoza] Terrorism has been defeated militarily and politically. What remains are residual elements in Huallaga, and other places. In a few months, these groups will be either completely dismantled here or captured abroad. The situation abroad occurred because they fled from Peru, and they are being captured because our intelligence system and the Dincote [National Counterterrorism Directorate] of the National Police are working very hard as professionals in this field. [end recording]

Ecuadoran Officers Accused of Overvaluing Kfir Planes

PY0401212596 Madrid EFE in Spanish 1618 GMT 4 Jan 96

[FBIS Translated Text] Lima, 4 Jan (EFE) — Peruvian opposition congressman Fernando Olivera said today that Ecuadoran military leaders have overvalued by $1.5 million the price of each "Kfir" fighter bomber that Ecuador plans to buy from Israel.

Congressman Olivera, who mentioned "high level sources with great credibility" said the real value of each plane is $2.5 million but that Ecuadoran military leaders are buying them for $4 million each.

Olivera said the $6 million difference between the price paid and the real price benefits "corrupt Ecuadoran high military commanders who negotiate with well known international arms traffickers."

The Israeli daily HA'ARETZ published an article by its military expert Aluf Benn indicating that the "Kfir" purchase including parts is $40 million.

Olivera, who asked the Ecuadoran and Israeli Governments to investigate the purchase of military equipment, reiterated that apparently there is an understanding between Ecuadoran military leaders and arms traffickers.

Guarantors Increase Border Region Reconnaissance Flights

PY0401201196 Madrid EFE in Spanish 1710 GMT 4 Jan 96

[FBIS Translated Text] Lima, 4 Jan (EFE) — A Peruvian Government source reported today that the military observers watching over the fulfillment of the peace agreement along the border between Ecuador and Peru are doubling their reconnaissance efforts and

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extending their coverage beyond the demilitarized zone under their control.

The source added that flights by pilots of the guarantor countries of the Rio de Janeiro Protocol (Argentina, Brazil, Chile, and the United States) have been extended to the source of the Pastaza River, where last December an Ecuadoran patrol fired shots at a Peruvian watch post.

The Peruvian Government reported that the demilitarized zone was overflown last year by at least one Ecuadoran military plane which "violated the peace agreement."

The military observers released a communique on 29 December confirming the overflight in that zone, adding that they saw the plane only for four seconds due to heavy cloud.

The Peruvian source said, however, that Peru does not have the type of plane that made the overflight and that this zone has never been the route of narco planes.

The source added: "The observers took steps through the appropriate channel which will not be disclosed to the public."

The source also indicated that tension at the border region has decreased considerably thanks to the action of the guarantor countries and to the unofficial announcement that the sale of the Kfir fighters, which was requested by Ecuador from Israel, has apparently been canceled by Israeli officials.

The source said that "within that context, the necessary optimum conditions for the upcoming meeting of foreign ministers" of Ecuador and Peru next week in Lima "have been recovered."

Peruvian General Nicolas Hermoza, Armed Forces Joint Command chairman, reported that his troops have not been mobilized at the Ecuadoran border.

The Lima daily EL COMERCIO said the Peruvian Foreign Ministry "has reasonable indications" that Ecuador wants to buy 12 Kfir fighters instead of the four it admitted. That information, as well as an Ecuadoran plan to carry out military operations along different points of the border with Peru far from the zone where the observers are based, was discussed during a meeting of the Foreign Ministry Consultative Commission on 3 January.

EL COMERCIO states that the other points discussed during the meeting were "the real possibility" that Israel will cancel the sale of Kfir fighters because it has been a supplier of arms for Ecuador for years and because of the possibility of a coup in Ecuador.

Fujimori: Chinchorro Lot Issue Poses 'No Threat' to Peace

PY0401164496 Lima America Television Network in Spanish 1112 GMT 4 Jan 96

[FBIS Translated Excerpt] President Alberto Fujimori has inspected several school buildings in Rimac district and the northern region of Lima. He carefully verified the remodeling and refurbishing of several school buildings.

[Begin reporter Aurea Samper recording] During the current summer vacation period, the government intends to demolish and rebuild 30 Lima school buildings encompassed in the emergency program which seeks to improve the infrastructure of education centers, a program for which the administration has allocated 20 million soles. [passage omitted]

President Fujimori did not make any official statements, but during an informal chat with journalists, he said that the issue of the Chinchorro lot in Arica will be handled at the Foreign Ministry level and not through public statements.

The president said that the occupation of this lot, owned by Peru, by the Arica city hall for road construction purposes is an issue that must be resolved, but that it poses no threat to peace on our southern border.

During his tour of school buidlings, Fujimori also commented on the meeting he was scheduled to hold with the Armed Forces commanders and the National Police director. He said that this meeting was postponed because of compelling circumstances. Regarding the announced cabinet changes, he said that he is studying the situation and that he has not yet made any decision. [end recording]

Economy, Industry Ministers Confirmed in Posts

PY0301232896 Lima EXPRESO in Spanish 29 Dec 95 p A2

[FBIS Translated Text] President Alberto Fujimori confirmed Economy Minister Jorge Camet and Industry Minister Liliana Canale in their posts, as both officials are positively discharging their duties. He made this announcement during an exclusive interview he granted on 28 December to the announcers of the television program "Fuego Cruzado" as part of the central issue of the last program that will be aired by ATV Television on the night of 30 December.

Replying to speculation that circulated in the past few months, Fujimori pointed out that rather than making changes the process to consolidate the economic program will continue under Camet's leadership.

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The announcer then asked him whether Camet was not "tired" after more than two years in office, to which Fujimori replied: "Camet is very well and more lucid than ever."

Thus Fujimori ended the speculation circulating these past weeks that after inserting Peru into the Brady Plan, Camet would resign following the year-end routine resignation of the members of the cabinet headed by Prime Minister Cordoba Blanco.

On 25 December Fujimori said that all his ministers had done good work, and that he would make decisions on whether to replace them in January.

Camet on 25 December attended a cabinet meeting to outline the last details of the legislative package that will be promulgated by virtue of the powers granted by Congress.

An Executive Branch source said that Camet actively participated in the drafting of the tax regulations.

In the interview Fujimori also voiced his confidence in the way Minister Liliana Canale handles the dispute with industrialists and exporters over the decision to improve the trade agreement with Ecuador.

Concerning the task assigned to National Police Lieutenant General Antonio Ketin Vidal Herrera, Fujimori noted the importance for the entire population of the definitive solution of the problems affecting the citizens' security and the effort to improve the flow of traffic in Lima and in other main cities.

He said that Vidal Herrera's plan is almost ready, and that it will soon be submitted to the government.

Meanwhile, Venezuelan Foreign Minister Angel Burelli Rivas on 28 December reported that President Fujimori will sign in Caracas an agreement on the protection of investments, and a cultural accord during his official visit to Venezuela scheduled for 10-12 January.

The AFP news agency reported that Fujimori and his Venezuelan counterpart Rafael Caldera will discuss Peru's rejoining the Andean Pact trade agreements, the improvement of the Peruvian-Venezuelan trade, and the decision of the two governments to reaffirm their support for the Latin American integration process.

Uruguay

Political Leaders Agree on Constitutional Reform Bill

PY0501015696 Montevideo EL OBSERVADOR in Spanish 29 Dec 95 p 5

[FBIS Translated Text] The multiparty debates on the proposed draft constitutional reform proposal concluded yesterday. Pending are foreseeable formal and style corrections before the executive branch sends the bill to Congress in February.

Yesterday afternoon, President Julio Sanguinetti and representatives of all political forces met at government house for the last time to analyze an issue that has been on the agenda of numerous meetings for the past eight months, provoking marches and countermarches.

On 26 December, and after the approval by the National Party executive board of controversial points such as the removal of the directors of autonomous entities, it was reported that the project had the support of two thirds of the members of both chambers of Congress and President Julio Maria Sanguinetti gave clear signs that "the debate was concluding" and that yesterday's meeting was going to be the last one.

Progress and Discrepancies

Representatives from the Colorado Party, the National Party, and New Space (NE) agreed on a draft bill to amend the Constitution while the delegates of the Broad Front (FA) and the Progressive Encounter (EP) registered their objections, saying that despite the progress and agreements they still had some reservations that will be analyzed during their parties' upcoming National Plenum that the political commission that will meet on 22 January will presumably convene for the beginning of February.

The FA and EP delegates, nonetheless, promised to carefully examine the draft bill and give a definitive answer before the bill is sent to Congress.

Sanguinetti Convinced

EL OBSERVADOR learned from sources close to the executive branch that President Sanguinetti is convinced that the leftist groups will also support the reform.

The argument for approval is that the agreed draft, "even though not as complete as it could be," is an essential step to improve the current electoral system.

Sources close to Alberto Volonte, president of the National Party executive, told EL OBSERVADOR that the National Party leader had the same perception, adding that he "was sure" the FA will end up supporting the reform.

Former President Luis Alberto Lacalle at the end of the meeting at government house yesterday said that "the country will have constitutional reform despite the reservations we all have."

Lacalle added that "National Party internal discussions on discrepancies about the text have been overcome"

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and that he felt "greatly satisfied" with the final agreement. Senator Rafael Michelini (NE) expressed optimism that "the agreement will be approved by Congress, thus terminating with the system of votes cooperative [consequence of the Lema System] and perhaps even with the Lema System."

He added, however, "that just in case the system is not changed the NE will continue gathering signatures as insurance against frustration and in order to insure the implementation of a more valid electoral system for 1999."

Report Analyzes 1995 Economic Recession, Prospects

PY0501021196 Montevideo BUSQUEDA in Spanish 28 Dec 95 pp 24, 25

[FBIS Translated Text] Nineteen ninety-five was a year of reductions. The government was able to reduce the fiscal deficit. Inflation dropped by a good percentage. The trade deficit dropped and the economy slowed down due to a drop in industrial activities, construction, commerce, and some services. Family incomes dropped — to a greater extent in poorer homes — salaries lost purchasing power, and as a consequence, pensions also dropped.

The "tequila effect" that shook Latin American capital markets at the end of 1994 did not hurt our financial market but affected our productive apparatus. The Argentine crisis provoked an immediate contraction in the area of services (such as commerce, restaurants, and hotels), construction (particularly in the Punta del Este summer resort), and in industries associated with both areas.

Consumption was affected by two elements: The drop in spending by foreign tourists was accompanied by a fall in family earnings. Salaries as well as pensions lost purchasing power, particularly as a consequence of the fiscal adjustment program implemented by the government at the beginning of this administration.

However, the drop in the purchasing power of salaries had already started in the last few months of 1994, partly because in the private sector salary adjustments were not indexed.

The fiscal adjustment program affected salaries because it increased the rate of income taxes. It also served to reduce the state's financial deficit, which in March reached a peak of 3.4 percent of the GDP.

The economic recession that started affecting the country in the second quarter also affected the state's fiscal accounts, which continued to be in the red. Tax collections dropped despite the VAT increase, preventing the adjustment program from obtaining better results.

The government trusts it has done more than enough to fulfill its goal of a deficit of 1.9 percent of the GDP and now expects to end the year with a deficit of 1.8 percent.

The drop in the level of activities was most obvious in construction (17 percent); commerce (10 percent); and industry (9 percent — without counting the effect of the start of operations of ANCAP's [National Administration of Fuels, Alcohol, and Portland Cement] refinery). Agriculture and transportation and communications, meanwhile, grew by 6 percent and 5 percent, respectively.

According to the down trend of the past quarter and other indicators, the GDP this year will be the worst in the past 11 years.

The drop in activities provoked an increase in unemployment, although the increase was not significant. The annual average unemployment rate increased by around 1 percent.

In this climate of recession imports continued growing, although at a significantly slower rate than last year. On the other hand, exports continued the growing trend that started in the second half of 1994 and increased by 11 percent in the first nine months. However, this growth was concentrated in the first months of the year and the latest figures show a drop in sales.

The trade deficit dropped from $859 million to $792.3 million. As a result, the deficit (goods and services) of the balance of payments also dropped.

According to government sources, the balance of payments will have a surplus of $45 million by the end of the year, which means that the BCU [Uruguayan Central Bank] net international reserves will increase by this amount.

In fact, the current account deficit is compensated by the entry of capital, particularly through the increase in public debts.

The drop in demand contributed to reducing the inflation rate. For the first time in a long while reality coincides with government goals: Inflation will drop to nearly 35 percent.

Besides, prices in the past four months (September-December) showed an unusual drop when valued in dollars. In each month inflation was greater than devaluation.

The government expects that in 1996 the economy will recover and will grow by 1 percent compared to this

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year's low level. Economic authorities trust that prices will continue cooling down and inflation will drop to 20 percent.

Venezuela

Minister Denies Date Set for Delimitation With Colombia

PA0401202196 Caracas Venezolana de Television Network in Spanish 1545 GMT 4 Jan 96

[From "The News"]

[FBIS Translated Text] Relations between Colombia and Venezuela are murky once again. Defense Minister Division General Moises Orozco Graterol has toured the Perija Mountain Range, where he has voiced his displeasure over Colombia's plans to accuse our country of violating the human rights of Colombian citizens.

Meanwhile, Special Minister Pompeyo Marquez, who is in charge of border affairs, has denied our country has established a date for the maritime and submarine delimitation between Venezuela and Colombia

Venezuelan Ambassador to Colombia Abdon Vivas Teran has held a telephone conversation with Minister Marquez to deny reports appearing in a local newspaper stating that the Colombian-Venezuelan Negotiations Commission was going to present a proposed delimitation for discussion by Presidents Ernesto Samper and Rafael Caldera. Pompeyo Marquez has said that everything stands as before and that the Venezuelan people have nothing to fear:

[Begin Marquez recording] These conversations have been held for some time now. We have not set a deadline for their conclusion. The topic is quite complex, and the citizens from both countries are very sensitive about this issue. As I have said before, Venezuela can rest assured that its negotiators are working hard and will not do anything without consulting the people first. [end recording]

Border Affairs Minister Comments on Indigenous Policy

PA3012042095 Caracas EL NACIONAL in Spanish 26 Dec 95 p 2-1

[Report by Freddy Torres]

[FBIS Translated Text] Border Affairs Minister Pompeyo Marquez has confirmed the arrest and deportation of two persons from Chiapas State, Mexico, who were found in the great savanna, Bolivar State, carrying out activities that security forces are investigating and are allegedly linked to the creation of a movement that exploits the injustices endured by the Indians.

Marquez stated that the investigations are under way and measures are being taken to deter unscrupulous persons from taking advantage of the Indians and their causes for political chicanery and to create an environment of instability and uneasiness.

Marquez admitted, however, that Venezuela has completely forgotten its first dwellers, a problem he believes must be addressed by an all-encompassing policy and not one created by chance or that is improvised, as has been the case so far.

Marquez recalled it was discovered a while back that an organization was behind the Warao Indians, who were brought from Delta Amacuro to Caracas with "political maneuvering intentions."

The minister added that information has been gathered on the Colombian narcoguerrilla's plans to use members from the Yucpa and Bari communities, on the Sierra de Perija, as informants.

"So far these cases are just the embryos of something that could grow," said Marquez. He added that the cases should be investigated, and that the reasonable demands of the Indian communities must be addressed. "These Venezuelans live under special circumstances that should be addressed specifically," he added.

Marquez maintained that the best way to prevent those embryos of discontent from growing among the Indians is to find solutions to problems such as land ownership, education, health "and discourage them from coming here, on behalf of some ideal, to foster something that will not benefit the country."

The official said that the Indians, who were tricked into coming to Caracas to attend a Christmas fair where they could display their handicrafts, were returned to Amazonas State.

Marquez urged Venezuelans not to pick up the ethnic banner for political reasons. "There will always be people willing to bring Indians into Caracas to trigger incidents and attract attention," the minister reiterated.

He explained that this must not, on the other hand, compel the government and the people to disregard the plight of the Indians.

He said a commission, which he heads, prepared a study on the situation of the country's Indians and drafted a report to be submitted to the president for approval.

Among the recommendations in the project is that the office in charge of indigenous affairs at the Education Ministry carry out bilingual education programs in Indian populations.

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Another suggestion of this work is the creation of re nal indigenous councils, which will become part of the National Border Council and will be in charge of applying the border development policies.

The document proposes stopping the migration of such ethnic groups by including them, while respecting their cultures, to the plans to populate border areas that should be based on security, activities that are inherent to ethnic groups, and preservation of national sovereignty.

To achieve this, the project recommends solving the Indian land ownership problem, giving them support in the areas of agriculture, cattle-breeding, and handicrafts, and supplying them with the basic services of health, education, electricity, water, and so on.

Marquez said that he favors distributing land through nontransferable deeds to the communities that must become self-supporting.

As for handicrafts, he pointed out that a mechanism to market them must be created, because this is not only a source of income for the Indians, but a means to preserve their culture.

The minister noted that the project, which is about to be approved, includes the granting of credits, giving materials to the craftsmen, and creating centers to store and sell their work.

Marquez announced that the National Border Council will organize an exhibit of Indian handicrafts at the Central University of Venezuela in January.

The minister called for the creation of an autonomous handicrafts institute with its own budget to execute independent policies and even place the works of the Indians abroad.

He pointed out that the ministers of the environment and of energy and mines recently approved a joint resolution banning mine exploitation in areas where Indian communities are settled.

The official said that the regulations to organize the National Park of Sierra de Perija and the Territorial Organization of Bolivar State will also benefit the Indians, because they guarantee respect for the communities that live on their lands since time immemorial.

"We must preserve the Indian communities, and thus, we must follow a policy that will discourage migration, distribute land to these communities, and respect their way of life and support agricultural and livestock activities, their handicrafts, fishing, and tourism," Marquez noted.

Marquez pointed out that the Indians must be included in conservation, environmental, and security tasks at border areas.

He regretted that so far no comprehensive policy to meet the just demands of the Indian population has been executed.

Minister Denies IMF Causing Delay in Wage Increases

PA0501032896 Caracas ECONOMIA HOY in Spanish 4 Jan 96 p 3

[FBIS Translated Text] Fernando Egana, director of the OCI [Central Information Office], categorically denied that the executive postponed the decision on increasing salaries because of objections presumably made by the IMF.

"That press report is not true; it does not reflect the truth," Egana stressed, and immediately added that the salary topic "is being considered within the framework of the reform and transformation of the system of social benefits."

The idea, according to what he said as he left the Council of Ministers, is to draft a more effective, modern, and suitable system to the country's new situation.

Yesterday's ministerial meeting went on uneventfully. President Caldera made another call to join efforts to achieve the success of the Governors' Convention and draft a National Coordinated Program regarding such matters as personal security, roads, and the transfer of the health and education services.

The National Assembly of Mayors will follow the Governors' Convention. The two meetings will seek to develop joint programs of coordination, cooperation, and interaction among the national, regional, and municipal governments.

The president has confirmed his attendance to the inauguration ceremonies of the governors of Yaracuy, Bolivar, Nueva Esparta, Falcon, and Monagas on 4, 5, 6, and 9 January.

Meanwhile, the Council of Ministers approved the requests to exempt the Ministry of Justice and the Governor's Office of Zulia State from paying taxes on the 450 vehicles and patrol equipment and the 11 ambulances equipped with life-support systems purchased by these two institutions, respectively. According to reports, the two exemption requests were submitted to the National Tax Superintendency.

Regarding the attempts to create disturbances that took place yesterday in Delta Amacuro and Bolivar, on

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the eve of the inauguration ceremony of the new leaders of those states, Egana indicated that the national government expects the transfer of power to take place in keeping with the law and within the civic and peaceful spirit that best suits the country and the development of the different regions of Venezuela.

Head of Workers Confederation Comments on Pay Raise

PA0401170196 Caracas EL NACIONAL in Spanish 3 Jan 96 p D-2

[Report by Rosita Regalado]

[FBIS Translated Text] "We strongly reject—let there be no doubt about it—the assertion that we will take to the streets to demand a minimum wage increase and a general pay raise if someone in the government wants to tie the salary adjustments to a reform of the social benefit system," Carlos Navarro, secretary general of the CTV [Venezuelan Workers Confederation], has said.

This is Navarro's response to the new year message delivered by President Caldera, whom everyone thought would announce a pay raise.

- It must be considered that the increase in the minimum wage is no longer a financial problem at this time and in accordance with accumulated inflation; it is a matter of human rights. The pay raise should be a response to institutional stability. They cannot tie the problem of social justice to a change in social benefits, because the CTV will stop talking to the Presidential Commission if they intend to do so. We have the historical obligation to play a social role; that is, to lead the workers' protest in the face of the crisis, which is breaking people's dignity.

He has said CTV representatives have participated in the Presidential Commission quite responsibly, with great maturity, adding that four points have been made clear, namely:

1. We do not talk about nor do we accept the elimination of social benefits. We cannot curtail that right. We have spoken about an alternate system that improves the existing system.

2. That system, still undefined—the CTV has authorized no one to speak about an accord—must contain the strong and permanent protection of the real salary in the face of inflation. This includes the indexation of the minimum wage and the modification of salaries in keeping with inflation. In addition, we are speaking about the protection of savings from inflation; in other words, we want to maximize the efficiency of social benefits.

3. The establishment of the foundations to create a provisional system that serves, with dignity, people on disability, old age, and survivors benefits, as well as retirees.

4. The definitive establishment of a comprehensive social security system that includes the radical transformation of the Venezuelan Social Security Institute. This must be the year of responses so our protest can be made using institutional channels.

Oil Prices Surpass Executive Branch's 1995 Expectations

PA0301194796 Caracas ECONOMIA HOY in Spanish 2 Jan 96 p 4

[FBIS Translated Text] Venezuelan oil prices surpassed the executive branch's expectations for 1995, ending the year with an average price of $14.71 a barrel, $1.20 more than planned.

According to the latest Energy and Mines Ministry report, the December price settled at $15.17 a barrel, the highest price of the entire period.

The average price budgeted at the beginning of 1995 was estimated at $13.50 a barrel, only 27 cents higher than the 1994 price of $13.23.

The price fetched during the entire period provided oil tax contributions amounting to 1.1 trillion bolivares. It still is not known how much actual income was derived from oil exports during this period.

Venezuelan prices climbed along with those of OPEC countries, which closed at an average yearly rate of $17.64 a barrel, due mainly to Iraq not returning to the oil market as well as the handling of inventories by OPEC member countries.

Expectations about a possible modification of production quotas allowed better OPEC prices, particularly during dates close to the OPEC conference.

Finance Minister Discusses Fuel Hikes, Loan Payments

PA3112231995 Caracas Venezolana de Television Network in Spanish 1545 GMT 27 Dec 95

[Report by Beatriz Hernandez; from the "The News"]

[FBIS Translated Text] The gasoline price could be about to be raised. Finance Minister Luis Raul Matos Azocar has asserted that the president of the Republic has exclusive authority and will decide if the price of this fuel is to be hiked once again. The same reply is also valid for wages.

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In any case, the finance minister used his chat with members of the press to state that, contrary to forecasts by prophets, our country will honor its pending payments at an international level and its Brady Bonds commitments have been canceled. Thus, according to Minister Matos Azocar, 1996 will surely bring production incentives.

[Begin recording] [Matos] This has been a very difficult year. However, we are on the right path, and the house has been placed in order. With the backing of laws scheduled to be approved — we have already given a first step with the exchange adjustment — we are going to drastically reduce the fiscal deficit; a situation that has affected us throughout the entire year. We will also be able to give a few incentives to the productive sector. This will make 1996 the year of transition to a positive economic growth on [words indistinct] bases.

[Unidentified reporter] And, what are the [words indistinct] for 1996?

[Matos] We also hope to have positive economic growth. [end recording]

The talks with the IMF will continue as soon as the December festivities end. However, the finance minister said he expected the parliament to approve the debt rescue fund expeditiously, as this will allow us to gain ground in defeating the crisis that is currently afflicting us.

Finance Minister Luis Raul Matos Azocar, who was just about to leave the Miraflores Palace when he spoke to the press, also said that only one international commitment — with the Paris Club — has been left pending, because the Venezuelan Government does not view it as a priority, as bilateral agreements have been reached in this respect.

Government Approves 50-Percent Hike in Grocery Prices

PA0301235196 Caracas Venezolana de Television Network in Spanish 1545 GMT 3 Jan 96

[From "The News"]

[FBIS Translated Text] As scheduled, the New Year begins with an increase in the price of food products, which had been previously authorized by the Development Ministry. Most of the price adjustments in the family basket are 50 percent higher than previous prices.

The new prices announced by Development Minister Werner Corrales on 27 December 1995 are now a fact, inasmuch as ministry resolution number 4087 was published yesterday in the GACETA OFICIAL. The prices of the following products were adjusted.

Pre-cooked cornmeal, 136 bolivares per kilogram; rice, 5 percent broken, 180 bolivares per kilogram; powdered milk, 1,242 bolivares per kilogram; a can with 170 grams of sardines in oil now costs 81 bolivares; regular pasta, 241 bolivares per kilogram; bread, 380 bolivares per kilogram; one dozen eggs costs 690 bolivares; whole chicken, 481 bolivares per kilogram; vegetable oil, 435 bolivares per liter; margarine, 175 bolivares for 200 grams; coffee, 30 and 54 bolivares for the small and large size packet.

This new resolution by the Development Ministry stipulates that the suppliers of controlled products must keep an adequate stock in the domestic market, and that violations will be punished by Indecu [expansion unknown] according to the provisions of the Consumer Protection Law.

Meanwhile, the Attorney General's Office has determined that the establishment of prices not included in the list falls under the Development and Agriculture Ministries.

Utility Companies To Adjust Bills for Operation Costs

PA0301193396 Caracas EL UNIVERSAL in Spanish 2 Jan 96 p C-1

[Report by Juan Miguel Ortiz]

[FBIS Translated Text] The utility companies will adjust their bills starting early in the year due to their high operation costs stemming from the new economic situation looming over the country. In certain instances, such as that pertaining to the CANTV [National Telephone Company of Venezuela], the increase was announced way in advance, but the Caracas Electricity Company, Hidrocapital, the Caracas Metro, and the public transportation drivers have advised they will request a modification only but failed to determine its amount.

The CANTV will implement a new billing system for the residential sector based on three plans: The basic plan, which will increase the basic rate from 571 to 582 bolivares, will include 50 free minutes a month and will charge 5.17 bolivares for each additional minute; the intermediate plan in which the basic rate will be 912 bolivares will include 90 free minutes a month and will charge 3.69 bolivares for each additional minute; and the high-yield plan, the basic rate of which will be 1,665 bolivares, will include 130 free minutes a month and will charge 3.19 bolivares for each additional minute. The three plans will start this month and apply only to local calls; in other words, they do not include national and international calls.

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Meanwhile, the Caracas Electricity Company has affirmed "the rates will have to include the operation cost increases." Its commercialization and distribution president has failed to give a figure, however, and has said the company in 1995 exceeded the overall adjustment factor, which, by decree of the Electric Energy Regulatory Commission, allows companies to make a 10 percent rate adjustment. This service is under regulation. "It is logical to think that the executive branch is studying the most adequate time to allow the expected increase."

Hidrocapital also has announced that the costs of basic raw materials increased by more than 500 percent between 1993 and 1995 as a result of inflation. They are expected to keep increasing at a similar rate. "This is why the water bills must increase." The current water bill is 73 bolivares per 1,000 liters consumed and could possibly increase to 100 bolivares per 1,000 liters consumed, according to what was leaked unofficially.

As for transportation fares, the drivers will ask mayors-elect to revise the fares the first week of January. The former want the minimum fare to increase to 30 bolivares.

The Caracas Metro also will ask the executive branch to approve a fare increase, which was postponed in September 1995. It was learned that the new minimum fare could amount to 50 bolivares, a 15 bolivar increase.

BCV Places New Issue of Monetary Stabilization Bonds

PA0401120796 Caracas ECONOMIA HOY (INDICADORES Supplement) in Spanish 3 Jan 96 p I-3

[FBIS Translated Text] The Central Bank of Venezuela (BCV) will place today its new issue of capitalizable Monetary Stabilization Bonds [TEM's]. This issue is part of the 25th issue of TEM's by the BCV.

Issues for 63 billion bolivares with a maturity date of 83 days will be auctioned, as well as others for 5 billion bolivares with a maturity date of 172 days. This issue complies with the terms stipulated by Resolution No. 951101.

The annual interest rate for these securities has been set at 52.3 percent with a discount rate, and at 55.75 percent at par value.

The features of this issue are as follows: the business year of 360 days will be used as the basis to make estimates and the minimum denomination will be 1 million. Not more than one bid can be made per term nor will the amount of any bid be allowed to exceed 30 percent of the amount to be placed per term. The BCV will award the securities to those bidders making the highest bids. If the bids made happened to be for the same amount, jointly surpassing the stipulated quotas, the securities will be awarded according to a pro rata distribution. The same will apply if a portion of the stipulated quota is left.

Should a portion be left which cannot be divided, because it is not a multiple of 1 million, the said portion will be awarded to the bidder with the least relative share in that remnant.

Further on BCV's Auction of Bonds

PA0501031796 Caracas ECONOMIA HOY (INDICADORES Supplement) in Spanish 4 Jan 96 p I

[Report by Cecilia Meza]

[FBIS Translated Text] The Central Bank of Venezuela (BCV) yesterday placed its entire offer of 61 billion bolivares in capitalizable Monetary Stabilization Bonds (TEM). This represents a 35.6 percent increase over the amount placed in the previous auction. It is noteworthy to underscore that for the second consecutive week the BCV managed to place its entire offer.

This consisted entirely of 83-day bonds. The auction of 5 billion bolivares of 172-day bonds was declared void for the seventh consecutive month. These bonds are not currently attractive, because investors do not wish to tie up their capital for long time periods.

The capital and interest of the 83-day bonds, which will come due on 28 March 1997, will be paid the following day. These bonds were placed at a nominal interest of 52.35 percent and were sold at a weighted average price of 100.1748 percent. This price of these bonds is slightly higher than those placed last week when 89-day TEM were sold at 99.7586 percent at a nominal interest of 51.47 percent. The average interest at effective rate for yesterday's auction reached 51.5 percent, that is, a 1.09 percent point drop with relation to the interest at effective rate of 89-day TEM auctioned on 27 December.

It is important to underscore that the AP/DOW JONES news agency reported that on Tuesday interbank loan activity was slow, because there was abundant cash but few financing needs. The banks sought high liquidity to cover BCV demands at the close of 1995.

Thus, it was expected that banking institutions would be ready to buy the entire TEM offer. Another incentive was the fact that the BCV placed 61 billion bolivares, which is approximately equivalent to the TEM in circulation that will come due by week's end. The BCV uses the TEM as a tool to regulate the monetary supply and it frequently equates the amount of TEM that comes due with the amount sold in weekly auctions.

Interest rates have been controlled at 24 percent for the minimum fixed rate and at 46 percent for the maximum floating rate since the BCV established the current scheme through Resolution 35,731 of 13 June, because only this bank can change interest rates.

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